Office equipment

In-house printing costs go through the roof

by Peter Isaac

THE in-house printing operation so popular eight years ago is beginning to lose much of its lustre. There are several reasons, but chief among them is the new service orientation of the printing industry itself, and the sheer cost of running an in-house printing works.

Many in-house printing works were conceived back in the very late 1960s when printers were loath to consider themselves a service industry, preferring to locate themselves more in the manufacturing segment of the marketplace.

Users found it harder and harder to get rush jobs pushed through commercial printers. Users found that substantial quantities of staff time was being consumed in communicating with the printer, shuffling pieces of paper back and forth, and above all, expediting.

The theory was that if you had the printing works as part of your own operation you had tight control on both costs and delivery. At the same time the in-house works became possible through the simplicity of the single-colour offset press.

There are now signs that in-house printing has begun to create what it was established to by-pass. Companies are finding that their in-house printing works have developed far beyond a single offset machine and have become internal empires unable or unwilling to cope with those rush jobs anyway.

And while the equipment used in the internal printing works, generally Japanese offsets such as Hamarda, and Multiliths, was economical in its day, the new generation of electrostatic copiers presents a far cheaper alternative.

Though the electrostatic copiers are a long way from giving travel brochure four-colour presentation, they are suitable for short-run proposals for specialist use.

Just recently, several in-house printeries have closed down, the most recent large internal print shop closure was by W and R Fletcher, the meat exporters. Philips and Rawleighs have closed theirs too.

However, many institutional organisations retain a big volume of in-house printing. Among them, MLC, Dalgety, AMP, National Mutual and Challenge.

One internal print shop the industry would dearly like to win back is at General Motors.

The printers are particularly pleased that most of the oil companies have reverted to outside commercial printers.

The *Printers News*, the official journal of the Printing Industries Federation reflects the general attitude of industry leaders in encouraging members to smarten up on their footwork in order to take the profit out of the internal print shop.

Why does the industry give "later delivery dates", asks the federation of its members. As "possible causes" it answers the question thus:

- Natural caution and the desire to allow a margin for something going wrong;
- A desire not to be rushed too much in the plant;
- In the larger plant, the communication process and lesser flexibility undoubtedly slows things down, which may be why the smaller plant usually performs better on this aspect.
- And, of course, the New Zealand reluctance to work overtime or adopt shift work.

The federation then proceeds to members with some tips on confronting potential customers about their in-house activities.

- "Have you ever thought of asking your clients what they have done a costing on their in-house reproduction activities?;
- Can you set up some special procedure in your plant to handle urgent work — and advise your client that this service is available to him when it is really needed and that he does not have to go on bended knees to get it?

This piece of self-analysis by the industry gets to the heart of the problem. Quality is not a problem. But delivery is such an issue that companies want to tool up with their own plant to overcome it.

Ten years ago the advent of general application offset equipment triggered the arrival of the quick-delivery print shop for black and white work, especially forms.

The Norwegian printing federation has recommended its members to set up instant print shops within their own plants.

The upshot of competition from in-house printing and the instant print shop has been that very few jobbing printers now impose a quick delivery surcharge. These surcharges were an important factor in the development of in-house printing in the late 1960s.

Cooper Gyles, *general* manager of Gyles Printpak, a leading jobbing printer says: "Many in-house printing works are being run below cost. Often the cost of the floor space is not taken into account. The people who manage these in-house works are not cost-oriented."

However, one of the most persuasive factors behind the slowdown of in-house printing is the uncertainty of investing in new machinery.

With the advent of electrostatic copying, administration managers are concerned about building up the office print works when new compact equipment seems to be forcing the printing back into the office itself.

The office of the future is taking a long time to arrive. But new generation word processors, for example, are fast catching up flat bed printers and xerography when it comes to large-scale copying.

The new trend away from continuous word processor stationery toward sheet-fed input is also important because it removes the tear-off function and thus brings the word processor into line with normal commercial printing practice.

Uncertainty over equipment investment by in-house operators works both ways for jobbing printers. New developments in xerography and word processing will certainly make the full-scale craftsman-manned in-house operation less of a necessity.

But on the other side, the widespread application of new copying techniques will irrevocably take a big slice of general business away from the commercial printer. It will also hurt the instant print shop which found a niche in the well-populated printing business simply by living up to a promise.

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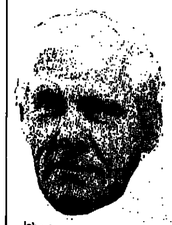
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by Reg Birchfield

PREDICTIONS, like sex, at times leave you wondering whether the effort was really worth it. After all, a reputation is a pretty fragile thing and to chance it for a rather short-lived satisfaction seems, on reflection, a mite rash.

However, in one way or another National Business Review scored well enough with its flirtation on the future.

While the ground still seems to be heaving somewhat under the pressure of the counting process, at this point we have a National Government.

To be honest, my own prediction could at best be described as "on the right side of the outcome". Colin James, with his eventual commitment, scored exactly with his "unconfidently National".

And on election night, the majority of the paper's editorial team were cock-a-hoop when their "hung Parliament" turned up trumps, albeit for a limited duration.

The minority who chose a Labour victory still have a job because Fourth Estate is a forgiving employer.

Being a paper that takes credit where it can I'll maintain that this time we were more right than wrong.

And now that the guessing game is over we'll return to reporting on a New Zealand political future that promises to be every bit as fascinating and confusing as the voting patterns of election night.

National Business Review's commitment to in-depth political reporting didn't change on Saturday week so this week Colin James takes a detailed look at the swings and the roundabouts in his column (Pages 8 and 9) and his election wrap-up (Pages 25 to 32).

Rivalry to bankroll projects

by Allan Parker

A TRADING banks joint venture and the Development Finance Corporation have emerged as front-runners for the right to run a new resources development bank to bankroll "Think Big".

David-and-Goliath battle lines are now being drawn to decide who gets the banker's share of the multi-billion dollar investment in the planned projects.

The spoils of war for the victor will be the Government-sponsored nod to operate the bank if — as seems likely — the Government agrees with the new bank idea.

The trading banks — the Goliath of the behind-the-scenes lobbying — want official approval to run a resource bank jointly among them.

A secret submission supporting this proposal was given to Government in recent weeks.

The trading banks' move followed a mid-year "conceptual" paper circulated to both main political parties by the Development Finance Corporation.

That paper envisaged a new resources bank which would be, at least initially, 51 per cent owned by the corporation (in effect, the Government through its 100 per cent ownership of corporation shares).

The general public would be able to take up the remaining shares through the new bank's participation on the stock exchange.

The proposal would require special legislation; no one is allowed to set up a bank under the Companies Act, and only a company can list shares on the stock exchange.

For example, the ANZ Banking Group required special legislation to list 25 per cent of its shareholding on the exchange.

Thus, such a new bank would require the explicit support of the Government of the day to pass the enabling legislation.

The DFC proposal already has clear Labour Party support. Leader Bill Rowling spelt out the scheme to the Manufacturers Federation convention in Wellington in the election run-up.

The Government has remained silent on the proposal but is still actively considering it.

NBR understands it is awaiting Reserve Bank and Treasury views on a freer banking market and whether more banking licences (trading or limited) should be allowed.

As part of their review, both will be considering the recently-released Campbell Report into the Australian finance sector.

The recommendations stemming from that report (many of them regarded across the Tasman as quite radical) could well be decisive in influencing the future structure of the industry here.

Page 5 The Campbell Report: implications and the NZ manoeuvrings.

FCL seeks Muldoon nod for $30m issue

by Klaus Sorensen

FLETCHER Challenge Ltd — the country's biggest company — will launch two institutional private debenture issues this week totalling $30 million — but not before it has been given the Prime Minister's nod of approval.

The company also plans a public debenture issue early next year. This will lift FCL's total fundraisings over the next few months to $50 million.

The rates for the institutional placement are rumoured to be close to 17 per cent. But the company — taking care not to lead the market in rate setting — wants to have Muldoon on-side for its first major borrowing programme.

A spokesman for the company told *NBR* last week: "Our debenture trust deed is in the very final stages of preparation and once it is completed we would — as the chairman said at the annual meeting — hope to tap the local debenture market."

NBR understands FCL's debenture issue plans are completed except for a Government green light. And the company is said to be bending over backwards to avoid displeasing Prime Minister Muldoon.

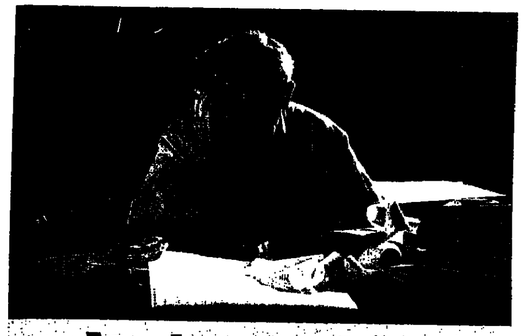
The company could easily be seen to be pushing up interest rates with a straight $50 million public debenture issue.

It has therefore split its offers into a $15 million fixed rate private offering for the institutions and a $15 million floating rate debenture offer to the institutions.

These will later be followed by a $20 million issue for FCL shareholders and the public.

NBR understands that FCL will seek Treasury approval for its issues within the next few days — after which Treasury, hopefully, will get approval from Muldoon.

Details, Page 12



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Record companies plan $1.5m test of sales tax

by Richard Fletcher

A $1.5 million dispute between record manufacturers and the Customs Department's sales tax division may have wider implications on manufacturers, wholesalers and retailers' sales tax liability.

The row, likely to be tested in court next year if the parties do not break the present deadlock, centres on a departmental assessment of sales tax sent to the two major record manufacturers. Recording industry sources told *NBR* the assessment adds at least $1.5 million to the total tax bill for the companies' operations over the past 12 months and the department "has appeared to have changed its intepretation of sales tax," said EMI managing director David Snell.

A Customs official said there was no "reinterpretation", but he confirmed assessments had been disputed by several record companies.

He said the issue was one of valuation of records in relation to section 30 of the Sale Tax Act, though there were other parts of the Act where the department and the industry view could differ.

Said Snell: "Basically they are now looking at certain methods of record marketing and determining a 'notional' wholesale price based on the retail price."

Snell's "certain methods" included sale of record pressings to groups such as record clubs and retail divisions of companies set up for television promotion of specific albums.

Industry executives claim these are distinct from record manufacturing operations.

One executive cited Music for Leisure, selling direct to sales outlets other than conventional record retailers, which had applied to Polygram Records Ltd to market some of Polygram's product.

Music for Leisure claims it is selling direct at retail level and Polygram is selling as wholesaler to it.

At issue is which company or organisation is the manufacturer, retailer or wholesaler respectively, and this is a difficulty for the record industry in its dealings with the taxman with different types of marketing strategies adopted by record manufacturers and mail order companies, the roles and specific liability for sales tax have become blurred.

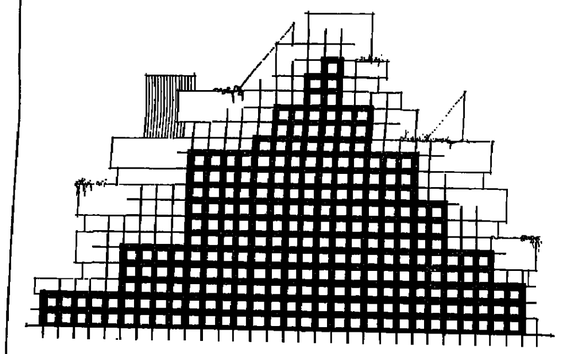
Snell believed the department was not being malicious in seeking to clarify parts of the Act, though its interpretations had not yet been tested in the courts.

Recording industry executives say the Act needs overhauling to take account of new types of marketing and trading, since the legislation was passed in 1974.



Snell claimed that if the Government was moving toward indirect, away from direct tax, the onus was put on the Customs Department to keep business viable so as to help to reduce the overall tax yield in the longer term.

The Customs Department has been looking over the past year at the valuation provisions in the Act. Earlier this year recommendations were sent to its Minister, Hugh Templeton, suggesting "renewed commitment to actual transaction price as the best and most practicable basis on which the tax system should be applied, but the review also noted extraordinary circumstances where the basic rule might not apply. In those cases further consultation should be initiated.



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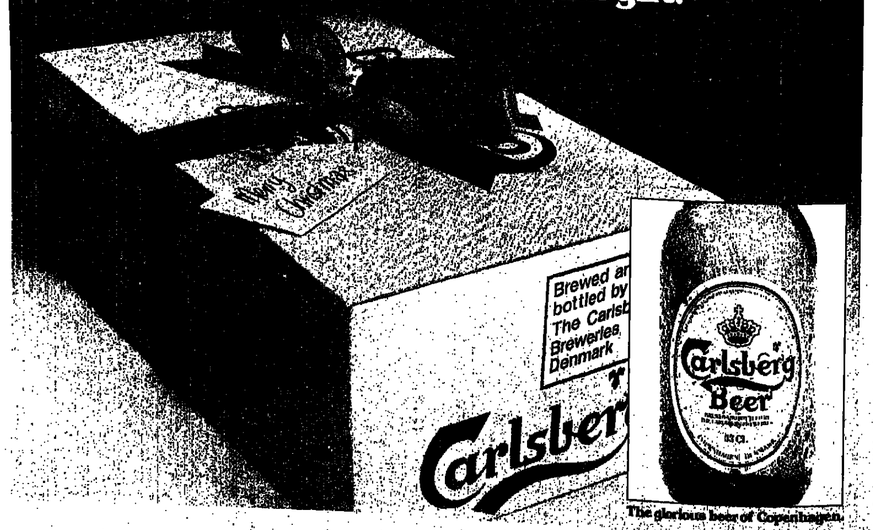
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Small travel agencies squeezed out by tighten-up

by Warren Berryman and Claudia Perkins

SQUEEZED between the big airlines and the Travel Agents Association of New Zealand (TAANZ), two-thirds of the country's 700 travel agencies stand to lose the 80 per cent of their income which comes from international air ticket sales in the wake of the September airline pact that stopped illegal discounting and commission splitting.

Smaller agencies which flourished during the era of illegal discounting are being squeezed out of business by the "big boys" of the travel industry.

The pact among the 26 carriers represented in this country — an agreement to obey Ministry of Transport air tariff regulations which the ministry officials had been either unable or unwilling to enforce against discounters — re-establishes the rule that only the 216 IATA accredited agencies may receive the 9 per cent commission on international tickets. These commissions may not be split with the 500 or so non-IATA agencies.

A recent TAANZ meeting resolved to find a solution to the problems inherent in shutting out non-IATA agencies.

But smaller TAANZ members suspect the "in group" of big IATA-approved agencies intend to promote their own interests by keeping them on the outer.

While the airlines believe this country to be overshopped with travel agencies, their IATA accrediting body, the Agency Investigation Panel (AIP), has shown some willingness to relax its criteria and let more agencies into the IATA club.

But the airlines first want agencies to carry an airline bond to protect the carriers when agencies go under, as Bolingbroke Travel did.

TAANZ has been approached by the AIP on the bonding question but has not produced a scheme acceptable to the airlines.

Meanwhile TAANZ itself is freezing non-TAANZ agencies — and some of its own members — out of business.

The examiner of commercial practices is investigating complaints that TAANZ is depriving non-TAANZ agents of their livelihood by making it impossible for them to do business with TAANZ agencies.

Shut out of the "TAANZ club" by TAANZ's new strict criteria on experience in the job and consumer bonding, one group of agencies has formed the Independent Bonded Travel Agents Association in opposition to TAANZ.

TAANZ's new consumer protection bond, which requires agencies to put up between $20,000 and $250,000 in cross indemnities, has driven four members, two of them IATA-accredited, out of TAANZ.

TAANZ executive director Peter Lowry claims TAANZ's criteria are intended only to be a consumer protection device, not a restrictive trade practice.

IATA accreditation criteria is more restrictive here than in some other countries.

But the airlines point out that it is easier here to set up in business as a travel agent than in most other countries.

The AIP considers several criteria when deciding to grant or withhold IATA accreditation — experience and financial standing, the area served by the agency, and turnover (measured in terms of volume of payments for tickets through IATA's bank settlement plan).

An applicant for accreditation in central Auckland would need a $1.35 million a year turnover to be considered, an Auckland suburban agency $700,000, Hamilton $795,000, Wellington City $960,000, Timaru $638,000 and so on.

The Auckland requirement has been inflated by the large number of travel consolidators (many of them ex-discounters) operating in that area.

The lack of IATA accreditation was no problem during the era of *de facto* deregulation. Non-IATA accredited agencies had their tickets made out by friendly IATA agencies, which passed on the commissions from the airlines to their non-IATA allies.

But, since the market clean-up, there is only 9 per cent commission coming in from the airlines and splitting is not permitted.

The turnover requirement poses a catch 22 situation for the non-IATA agency seeking accreditation. The agent can't receive commission without IATA accreditation, and he can't get accreditation without selling a certain level of tickets.

In effect, the agent must work for free, selling tickets without earning commission for about two years, to build up the required turnover.

The need for an airline bond was highlighted by the Bolingbroke Travel collapse which left the airlines more than $135,000 out of pocket.

According to New Zealand South British Insurance (TAANZ's bonding agent under the previous bond system) and TAANZ, the old TAANZ bond, in effect when Bolingbroke went broke, covered travelling consumers, but not carriers, against commercial risk.

The airlines want TAANZ to include an airline bond within its new bonding system.

The commercial risk for the airlines is considerable. Over the six-week period between agencies accepting money from travellers and payment to the airlines, a big agency might have up to $6 million outstanding to the airlines, and a small agency from up to $12,000.

Lintas alive — and well

by Claudia Perkins

SSC&B:LINTAS is alive and well and living in Auckland, after its emetic purge of September.

Lintas has acquired two more major clients — Best Western, and Hot Plate Products — and has a new Auckland general manager, Bill Buchanan.

Astounded by their recovery, Lintas staff expect to equal this year's billings next year.

Two months ago, Australian director Max Gosling flew in to pick up the pieces after hearing third-hand that managing director, David Murphy and creative director Richard Truman had walked out, taking almost the entire Lintas staff with them. Many Lintas clients then thought they had no choice but to go with Murphy and Truman.

Gosling arrived to find the company in chaos and considered closing the Auckland office.

But a clean-up operation began immediately. Creative staff were seconded from the Wellington office, working alternate days in Auckland and Wellington, while first an interim, then a full injunction, was served on Murphy and Truman, constraining them from dealing with clients who had been with Lintas before the walk-out.

Several Auckland agencies offered Lintas staff help over the crisis period, says Gosling.

Lintas Australia's visiting managing director and regional co-ordinator for Australia and New Zealand, Roger Neill, said there was a great boost in morale in Lintas during that period.

The Wellington office — half the size of the swelling Auckland office, but with twice the turnover — had felt it was subsidising the Auckland branch. But Neill considered one of the benefits of the walkout was to draw the two New Zealand offices closer.

Gosling emphasised that Lintas had never been disrupted in its major office in Wellington. It retains such major clients as Philips, CBA, Castrol, Unilever and Royal Insurance.

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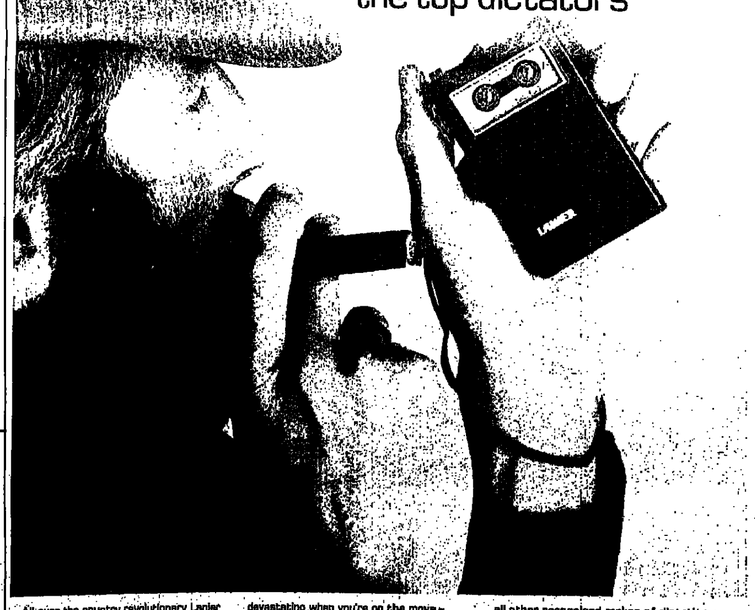
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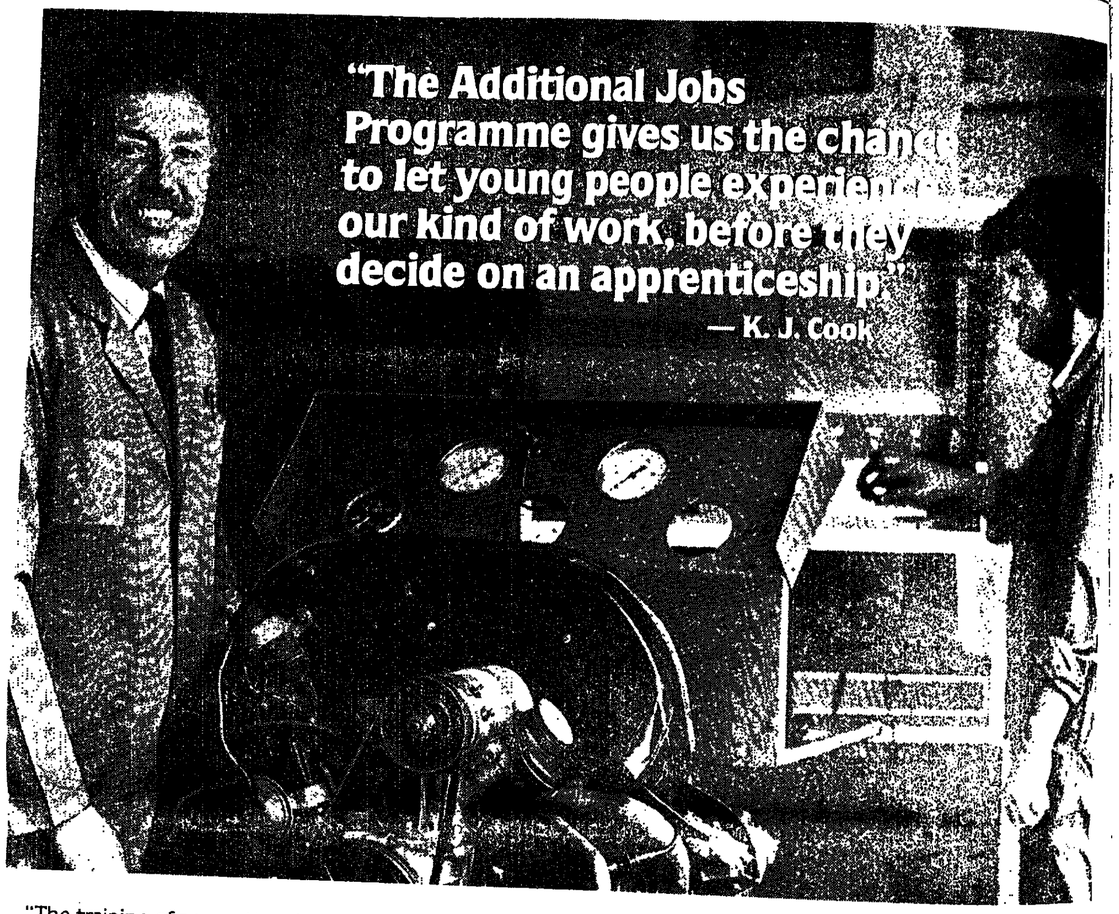
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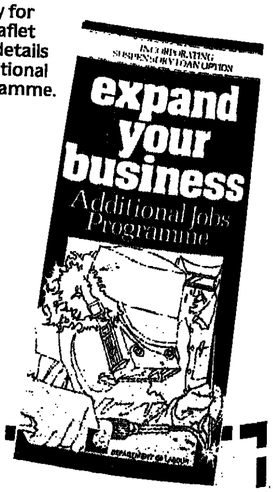
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The week

Australian report compounds Govt's financing choice

by Allan Parker

BEHIND-closed-doors manoeuverings by the trading banks and the Development Finance Corporation for the right to run a resource development bank — and capture the lion's share of the resource investment programme — will create a delicate problem for the Government.

The recent release of the Campbell Report into the Australian financing industry will compound the problem.

The general thrust of the Australian report, prepared after two years' research, was for a freeing-up of the financial market, a less-regulatory approach.

On the surface, therefore, the trading banks' proposal for a jointly-owned resources bank might appear persuasive to a government which insists it has a philosophical commitment to private enterprise.

The DFC proposal, on the other hand, could be viewed as another intrusion by the state into the open market.

The trading banks' proposal was first mooted about 10 years ago, *NBR* understands.

Last year, the banks decided to resurrect the scheme and the submission ("voluminous" according to one banking source) was forwarded to Government about a month ago.

Under the scheme, *NBR* has been told by a well-placed source, the trading banks' operation would exempt it from adherence to the reserve asset ratios by investing in "national interest" resource projects.

A similar bank in Australia — the Australian Resources Development Bank — is run by trading banks. It is exempted from such ratio requirements.

In New Zealand, the DFC has a similar exemption.

The trading banks, therefore, are proposing a move towards the sort of government protection that shelters that part of the DFC's operation.

The DFC scheme, in ironic contrast, envisages a more free-market operation by having a limited banking licence and public share-holding.

The Campbell Report recommendations on the DFC's Australian counterpart, the Australian Industry Development Corporation (AIDC), will provide the corporation with useful ammunition.

The report noted: "Nor is Government ownership of AIDC regarded as necessary to achieve national interest objectives."

Among its recommendations:

- "AIDC should be disposed of to private sector interests."
- "AIDC should not be debarred from applying for a bank licence."

The report said: "If the Government were to decide that AIDC's links with Government should remain, it would be important to ensure that, in the area of its commercial operations, it was economically viable and was placed on an equal footing with its private sector competitors."

There are other models, too.

The Industrial Bank of Japan, for example, was initially 100 per cent owned by the Japanese Government. Through successive stock issues, it is now 100 per cent owned by the public.

And the Development Bank of Singapore began life as a 100 per cent Government operation. It is now a Stock Exchange-listed organisation and the government shareholding has been reduced to about 49 per cent.

A decisive factor in deciding the issue may be the proposal that the public should participate in the DFC scheme.

With the capital development planned for the next decade, the New Zealand financial sector is poised for rapid and large growth.

Investors have had few opportunities to participate in the sector. The notable exception is the 25 per cent ANZ listing.

Joint State-public involvement would ensure a greater degree of local control over the resource investments which will run into billions of dollars.

The attitude of the Reserve Bank and Treasury will be critical. Both organisations have been waiting for release of the Campbell Report to see the implications for the local scene, where there have been pressures for reform from institutions outside the trading bank grouping.

A Senior Reserve Bank economist was among those who joined in a public forum into the report and its implications in Australia.

New enabling legislation would be required to establish a resources development bank, and while there is no immediate pressure on the Government, agitation for action is likely to become increasingly urgent as the parliamentary session draws nearer.

New demand for action on 'water into wine'

by Warren Berryman

ANOTHER of the big seven wine companies has secured the endorsement of its board to back wine purist Corbans in pressing the Health Department and the Wine Institute to take legal action on wines it suspects are adulterated.

Working from statistics and his own figures, an executive from this company estimated that only 36,000 tonnes of grapes went into 1981 wines when 54,000 tonnes should have been used if the regulations had been observed. The 18,000 shortfall is illegally added water, the company claims.

The company is aware that the Penfolds' "flavoured wine" controversy cost the industry 17 per cent in lost sales. But it claims to be willing to risk another scandal to clean up the industry's image.

"We've got to get wine quality right here before we hope to export," the executive said.

Wine Institute sources regard a recent DSIR statement, which maintained that consumers were getting a much better deal now than they were 10 years ago, as evidence that the industry has been cleaned up.

But the 1980 vintage produced 46.6 million litres of wine from only 30 million litres of grape juice. And according to expert opinion, the 1981 vintage will produce similar evidence of watered wine.

John Dunbar, a Waikato University analyst whose isotope analysis led to the eruption of the water-into-wine scandal here two years ago, is in Germany on a scholarship. Revalations of sugared Moselle have tarnished the reputation of that country's wine industry.


Grape harvest '81 . . . and what else?

Prominently placed news stories in such papers as London's *Sunday Times*, the *New York Times* and the *Wall Street Journal* quoted Dunbar criticising our wine industry. The Wine Institute is not pleased.

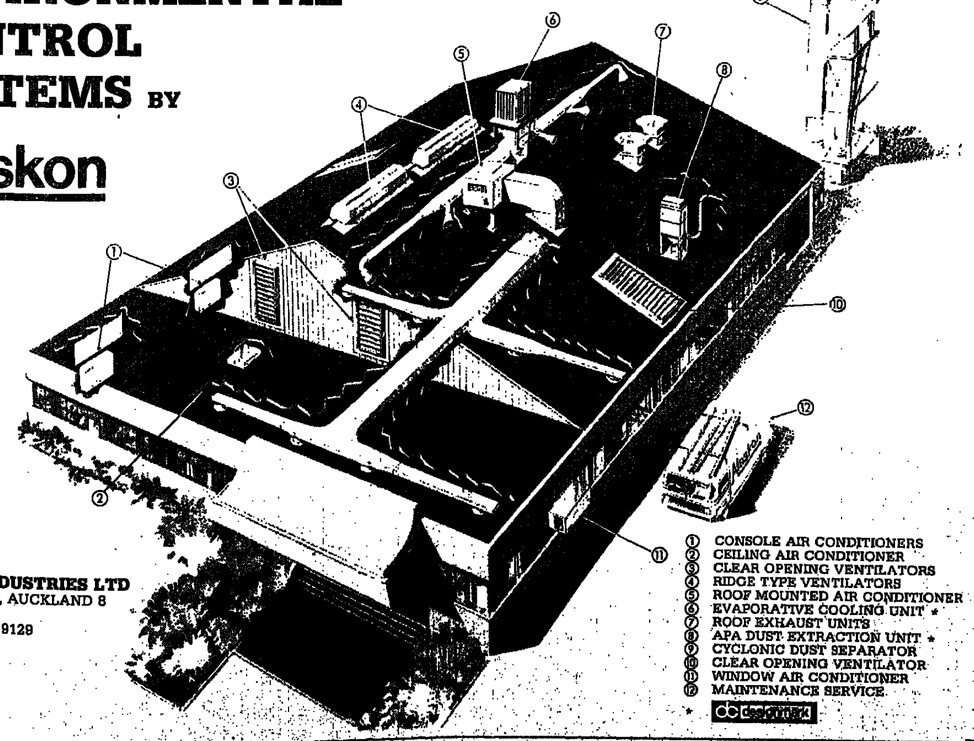
A sample quote from Dunbar in the *Wall Street Journal*: "When I think of what they were doing in New Zealand and what they were doing here (Germany) I really don't know what the Germans are worrying about. In New Zealand the people were making synthetic wine."

More than 2400 growers, distributors, and sugar merchants are now on trial in Germany, charged with adding 6.2 million tonnes of liquid sugar to Moselles over a three-year period.

Sugaring top quality German wines has been illegal since 1970.

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Comment

Editorial

A DELICATE balance of party representation in Parliament gives Social Credit the opportunity to press strongly for the electoral reforms it has been seeking for years. The league is in a position to throw support behind whichever party shows a willingness to introduce proportional representation, an issue which should take priority over monetary reform for the Socreds not only because it is more likely to attract public support, but because the league can not hope to win the seats necessary to implement its other policies, and could lose what few seats it now has, under our "first-past-the-post" electoral system.

The main objective of competing for votes in a democratic election, after all, is to win seats and to secure power. A party which cannot show the tangible signs of achievement implicit in representation in the House, finds it more difficult to recruit members, and its less dedicated supporters are susceptible to being persuaded that they are wasting their votes.

Social Credit can demonstrate that it is a significant political force. At this year's election, it won more than 20 per cent of the votes. But those votes secured it only two of the 98 seats. (Under a system of PR, National would have won 37 seats, Labour 36 and Social Credit 19).

Only a handful of the leading democracies persevere with the "first-past-the-post" system, which allows a party to win a majority of the seats with a minority of the votes; which tends to exaggerate the advantage in each constituency of the party that wins, even marginally, the most votes and penalises the others; which denies a voice in decision-making to parties which win a significant proportion of the vote; which invites gerrymandering. We stick to it — and have not had a government supported by a majority of the voters since 1951.

Proportional representation, in contrast, tends to encourage co-operation rather than confrontation (to survive, politicians are obliged to talk and to listen), and to promote greater tolerance, a greater diversity of views, a more open parliament.

The eccentricities of the "first-past-the-post" system will become obvious next year, when the five-yearly reshuffle of electoral boundaries following this year's census will severely dislocate electorates, particularly in the North Island, adding problems of adjustment for MPs and their party committees to all the other frustrations and uncertainties of political life. A system which redistributes seats throughout the country every five years offers scant stability. And the way in which the boundaries are drawn inevitably affects an election result, particularly where adherents of one party live predominantly in a particular area. How that area is divided between constituencies could prove vital to the outcome of an election. No matter how honest the administration of boundary restructuring may be, a system which depends so much on how the lines are drawn should be rejected as unsatisfactory.

"First-past-the-post", which allows only one winner in each seat, ensures the rejection, because of their party affiliations, of people of calibre. Duncan McIntyre and Hugh Templeton were thrown out in 1972; Joe Walding and a string of promising young Labourites were given the heave-ho in 1975; Les Gandar was among the casualties in 1978; respected economist and financier Don Brash has missed out on both attempts to secure election. Given a greater opportunity for choice, which some systems of proportional representation provide, voters could exert greater control over the quality of candidates standing for Parliament, and potential candidates who are now deterred by the winner-takes-all procedure might be encouraged to give it a go.

Social Credit favours a system known as the single transferable vote, and would divide the country into 25 constituencies, each returning four or five members to Parliament. Candidates would be numbered and elected in order of preference. Insignificant parties would be excluded by the necessity to win a required "quota" of votes.

The essential characteristic of STV is that the share of seats awarded to any party should be equal to the share of the votes which that party wins. An obvious advantage is that it eliminates the feeling that one's vote is wasted (particularly relevant in constituencies where one party has a big majority which predetermines the result). If every vote counted, fewer of them would go to Social Credit as gestures of protest against the major parties. More important, STV enables an election result, in terms of seats, to reflect more accurately the wishes of the people — it has been described by one constitutional authority as sensible, just and reasonable.

Switzerland, Sweden, Ireland and Tasmania all use forms of proportional representation; all have had much more stable governments than Britain since World War II. And the idea is slowly catching on here. Labour's Geoff Palmer wants a Parliamentary select committee to examine the concept. National MP Dail Jones wants a royal commission set up to consider the introduction of proportional representation. He favours the two-tier idea — maintaining our traditional single-member-constituency ... superimposing a system of proportional representation in a set of multi-member electorates over the present system. The idea is not new to this country. Multi-member electorates were used, along with single-member electorates, in most elections last century.

But the Labour Party's annual conference this year threw out a remit urging the party council to investigate alternative voting systems, Prime Minister Rob Muldoon opposes reform, and in June Parliament's select committee on electoral law recommended some minor innovations, but rejected a move to proportional representation.

So long as electoral reform doesn't become a burning issue with the voters generally, the major parties are not impelled to make fundamental changes. But if Social Credit does actually hold the balance of power after the final results are known, the election will have enabled it to press for reform irrespective of public complacency. The electors will then be obliged to take notice. They must be concerned, above all, to secure able and prudent government, and the system which is adopted must serve the interests of the public, not of the parties. — Bob Edlin

Without word of a lie

Sorry sir

EVEN Prime Ministers can be wrong.

At his Palmerston North meeting on the Thursday night before the election, Prime Minister Robert Muldoon pointed out our man Colin James to the crowd and yelled that "he will be wrong on Saturday — he's picking Labour."

In fact, only three hours before James had filed his final "prediction" to both *NBR* and to Radio New Zealand's *Checkpoint* programme. And that prediction: National, just as he had already said twice on television in November, in his *NBR* column on November 2 and on numerous previous occasions.

We hope Muldoon reads his gloomy post-election Treasury papers a bit more astutely.

Job for the boy?



DEFEATED politicians have one problem in common: finding a job.

The buzz last week for one of them, Barry Brill, defeated in Kapiti, is of strong interest to our readers. How would you like him on the Commerce Commission?

Taken for a ride

FRUSTRATED, perhaps, with having only one vote to cast in protest on election day, a little old lady in Eden threw a spanner in the well oiled National Party machine and got a free ride to the polls to boot.

She called the Nats for a car and, arriving at the polls, took a full hour filling in her voting paper. On the way out she tipped a sly wink at the Labour Party scrutineer and said, *sotto voce*, "that's tied up one Nat car for an hour, hasn't it?"

Party voter

THE 22 per cent poll in favour of prohibition was given an unexpected lift by the wife of a Wellington company chairman who normally can boast a liberal posture on social issues.

She was suffering more than somewhat from the consequences of the office Christmas party the night before when she went to the local polling booth, she explains.

Encore Matt

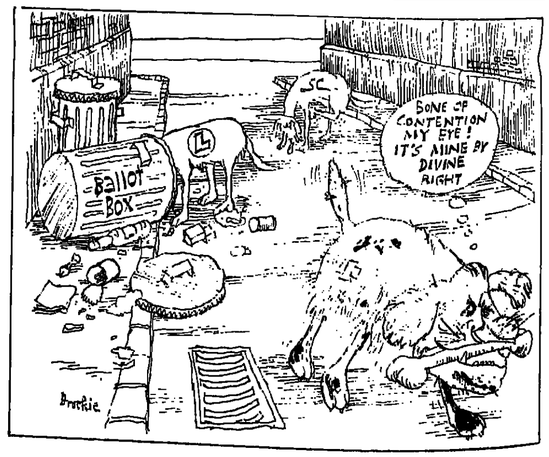
THE ghost of Skybus's founding father, Matt Thompson, has returned to haunt the financially stricken airline.

Acting in Thompson's affairs since he was declared bankrupt earlier this year, the Auckland official assignee is trying to recover $20,000 allegedly owed to Thompson in expenses incurred in setting up Skybus by the Aqua Avia society, so he can pay Thompson's creditors. The matter is complicated by the fact that Aqua Avia is an incorporated society; the normal winding-up procedures for debt recovery don't apply.

The irony is the potential for Thompson, to put the airline he founded into a financial nosedive, especially now that he is working for British Air Ferries which recently received $500,000 rent for a 1948 Viscount which spent 12 weeks on the ground, and made only five flights, none with paying passengers.

Meanwhile Aqua Avia's auditors, Markham and Partners, which harshly criticised last year's accounts, has been called in to help put the accounts in order. Just how much remains of the estimated $2 million taken by Aqua Avia in membership fees over the last seven months is unclear, a senior Skybus source told us.

Brockie's view



Mystery VIP

A Mr B N—, accompanied by his wife, turned up at Avalon on election night to join a select group of guests invited to enjoy TV hospitality, while standing by to comment on the evening's developments if required.

He was a bit surprised to find himself on the guest list he confessed; he was just an ordinary worker, and the names presumably had been drawn at random from the phone book.

Oh, and the receptionist had taken his letter of invitation from him on the way in; he would like it back as a souvenir, if that could be arranged.

TV staffers charged with caring for the guests were puzzled as the bemused couple moved into the bar to join the others to watch the election programme and enjoy a few drinks.

They later learned the invitation had been sent to the wrong man. A Wellington writer with the same surname, and same initials, had been the intended recipient of Avalon largesse.

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Comment

Official secrecy leaves democratic process in dark

by Warren Berryman

OFFICIAL secrecy — by shrouding the issues — ensured that the electorate voted in ignorance at the general election.

Given the choice of three distinctive party economic programmes with highly technical implications, the electorate had never been in greater need of open government.

But open government — together with the Freedom of Information Act, which had been stalled for years by the deliberations of the Danks Committee — was conveniently put aside until after the election.

And facing a crunch election, the Muldoon Government showed no willingness to allow a ray of sunlight to penetrate the inner sanctum of executive power.

After denying the existence of "secret reports" on his "Think Big" schemes, Muldoon acknowledged that Treasury had taken a critical look at some projects. He refused to make the reports public.

Muldoon and Treasury Secretary Bernie Galvin trotted out the well-worn defence of state secrecy, claiming that publication would erode the quality of advice given by state servants to a minister and curtail departmental frankness.

It can also be argued that advice granted on the understanding that the adviser will not be held to account for its value or validity is not worth the minister's ear.

After years of experience with its Freedom of Information Act, the American Government acknowledges that public servants have become more thoughtful, have explored options more rigorously, and have given more detailed reasons for their decisions, recognising that their deliberative process could become public knowledge.

Publicising departmental reports might make the state servant a public servant, responsible to the taxpayers who pay his wages. It would also fly in the face of the Westminster concept of ministerial responsibility under which Government servants, as political eunuchs, are supposed to serve Ministers of whatever political persuasion with silent, loyal obedience.

The Minister is responsible for all statements, he takes the credit for successes and is supposed to carry the can for all mistakes.

This archaic concept, trotted out to justify secrecy when openness would be embarrassing, allows ministers to hide behind their bureaucrats when convenient, and to kick them when they are useful scapegoats.

But the concept is of little use as a guide to how the country is actually run.

First, state servants are far from political eunuchs. They are frequently as well known as they are powerful, the subject of lobbying, political pressure, and subtle bribes in the form of expense account lunches, cars, holiday baches and promises of plumb jobs on retirement.

But their advice to the Government is secret unless it is politically convenient to make it public. Only after they leave government can they give the public the benefit of their expertise, as former think-tanker Len Blayliss and former Treasury Secretary Henry Lang have done.

Secrecy clothes the naked emperor with a publicly assumed omniscience. Discussing his "Think Big" projects, Muldoon can pooh-pooh his critics with the retort that he and only he has full access to the facts. Those "facts" may be based on mis-stated data, false assumptions, or methodological garbage. They may be sound.

But there is no publicly available means by which the public can judge.

Secrecy is discretionary. Super-secret SIS files become public when Muldoon feels the need to blast an opponent.

Journalists whose articles might embarrass the Government are denied information under the Official Secrets Act; "secret" documents are given freely to "co-operative" newspaper hacks.

Departmental reports favourable to Government make headlines, unfavourable reports seldom see the light of day.

Muldoon tried to exclude the *Listener*'s Tom Scott from the Commonwealth heads of Government meeting in India and was given a lecture on press freedom from Commonwealth secretary-general Sonny Ramphal. He refuses to be interviewed by Scott, Ian Fraser, and *NBR* journalists and uses his position to publicly ridicule and insult other journalists.

In Muldoon's view, the *Listener* publishes "trendy lefty" material, so he threatens to take away the magazine's bread and butter monopoly on broadcasting timetables — tit for tat.

Even the Government owned magazine, *Soil and Water*, has been told to tone down its critical comments — or else — by the Commissioner of Works.

Voters can be forgiven, therefore, if they were confused when they went to the polls. And they were not helped by politicians like Horowhenua MP Geoff Thompson, who told them that General Motors was going to set up a new automobile plant in unemployment-plagued Shannon. That statement was quickly followed by a refutation from General Motors.

National's energy-based answer to unemployment and the balance of payments crisis had its origins in 1977-78, when the final draft of the "public discussion paper" *Goals and Guidelines* (a highly detailed and critical analysis of our energy scene) was canned by then Energy Minister George Gair.

Gair replaced that document with a paper written largely by NZED staff, which defended the *status quo*.

The NZED's and MWD's empire-building led to an embarrassing 25 per cent electricity surplus and power stations like Marsden B were mothballed before they were commissioned.

Turning this blunder to their advantage, politicians began talking of selling our "energy surplus". This saved the NZED and MWD from embarrassment and allowed them to continue building their empires.

Enter Fletchers with the second smelter proposal. The Clyde high dam could be built after all. Taxpayers could finance the dam to make electricity at a cost of 5 cents a KWh so it could be sold to the smelter at a subsidised rate of about 2.3 cents a KWh.

Professor van Moeseke said the project was uneconomic. Others agreed, but the Government claimed it had better (secret) information.

The Government still maintains it knows best. Secrecy prevents us from knowing why it can be so sure.

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Bad news for politicians — three million people can't be wrong

by Colin James

WHO runs this place? The politicians or the people?

I'm one of those weird and twisted people who cling to the ridiculous, outdated belief that the people should.

And in many ways they do. Take tax, for instance.

Who gets their house painted nowadays by someone to whom they have to pay the full price, on the level?

Much better to find someone doing it on the side for folding money and split the difference.

Take the natural inclination of New Zealanders to invest unproductively in property (untaxed) instead of productive enterprise (taxed). Switch the tax emphasis round and watch investment in job-creating capacity go up.

When it comes to elections, things get a bit difficult.

The best way for the people to retain sovereignty over their own lives would be not to vote. No votes, no politicians.

But that course is a bit risky. Someone might break the line and vote.

So the people have devised other methods. If you can't beat 'em, frustrate 'em.

Three years ago, with brilliant delicacy of calculation, the people put National back into power, but with a minority of the votes, and gave Social Credit enough votes to frighten both main parties.

The two big parties have not sorted themselves out so the people have kept up the pressure by upping the Social Credit vote in another masterful mathematical manipulation.

How the balance between the other two will fall was not known at the time of writing.

The Electoral Office, still basking in the glory of having put the rolls into reasonable shape, seemed to have decided to go into the entertainment business — find 100 votes here, 200 there, 800 there and keep the election bouncing along day by day.

What good fun it has been to find Gisborne was not after all won by Labour, but National on the election day count. Or that Eden did nearly go Labour, after all, or that Bruce Beetham's majority in Rangitikei went down, not up, and thus confirmed, not confounded, some of our predictions.

I hope these people will be kept on for the next election, too, and that the same standard of simple arithmetic is insisted on. How boring it would be if the totals were added up correctly the first time round.

And think of the service they performed for the electorate. By giving us an apparently hung Parliament, the Electoral Office smoked out a carefully hidden side of two of our leaders.

Bouncy Bill Rowling, who had looked so warm and friendly and firm on stage in the campaign, came out snarling and petulant.

"The worst possible result," he said, when the count came out at 46-44-2.

In the heat of the moment, in the disappointment of losing what should have been an unlosable election for Labour, one might generously overlook such churlish spitefulness.

But he came back to it in his *Truth* column a few days later.

"New Zealanders have failed themselves in this election," he said.

"New Zealand cannot tolerate that situation. I am determined that this country will go back into an election within six months.

"This time people must face reality and face their responsibility to their country and in particular to their young people.

"This is no time for side issues, single issues or soft options."

The people could hardly have asked for a better example of the very arrogance of its political leaders which this election result, however it turns out, was clearly designed to rebuke.

Rowling's party got less than 39 per cent of the vote. By any standard, that is a clear message to him and his party that it did not measure up and the people did not want it to be the Government.

Why that was so will be the subject of more detailed analysis later. Was it the mountain of expensive promises, which strained credibility in a sceptical electorate? Even pro-manifesto MPs were beginning to think last week they had done the wrong thing.

Was it the image of disunity and directionlessness that the Labour Party still has? (Talking of disunity, when is someone going to tell president Jim Anderton to stop meddling in his leader's province and to stop shooting his mouth off in delicate situations?)

Was it simply weak Willie Rowling? Does he still carry the millstone of 1975 — rising inflation, unemployment and internal and external deficits? And is his millstone also the party's because while they see the party through him people have no convincing cause to believe a fourth Labour Government would be less profligate than the third?

I think a mixture of all three.

Some would add: the power of Robert Muldoon as a fisher for Labour votes. But even if this effect is discounted in Labour's favour, it would have left a Labour Government with at best a little over 40 per cent of the votes — and that is a Government by default, not by acclaim.

Perhaps some of Rowling's anti-democratic outburst — for that is what telling the people they are wrong amounts to — stems understandably from Rowling's uncertainty over his own future.

A clear loss, and he would have gone quickly and quietly. That, at least, is the received wisdom on the matter.

A clear win, or even a minority win, and he would have become Prime Minister. But a minority National Government would be neither one nor the other.

Probably he would have to continue — that in any case would be the feeling in the party at large — but the paper stretched over the cracks in the parliamentary party was already starting to tear last week and it would be a severe strain trying to keep it from shredding.

It was not only the anti-democratic side of Rowling we caught a privileged glimpse of thanks to the Electoral Office's incompetence. We also got a sneak preview of how Bruce Beetham would handle the "balance of responsibility" he has so assiduously sought.

Suddenly he was on the spot. He grasped at spurious constitutional advice that he didn't after all have the balance of power at 46-44-2 because the Spenker could vote twice (he can't).

Then he found himself pinned by a bitter Anderton on the "Think Big" issues. Would he vote against them with Labour if National made it a confidence matter? yes probably.

Even worse, if the election result slipped to 45-45-2, he faced the horrendous dilemma of choosing a party to actively support or precipitating another early election.

Until the Electoral Office came to his (temporary?) rescue with its reshuffle of the Gisborne votes, he looked decidedly uncomfortable. And rightly so: he and deputy leader Garry Knapp don't see eye-to-eye on everything, which would have been submersible among half a dozen MPs but not when there are only two.

The Prime Minister, too, had his moments under pressure — and showed glimpses of not wearing it too well.

On election night he allowed himself into the indelicate language that infuriates his opponents within the party (who, incidentally, are already conning themselves they can get rid of him come what may before the next election — two more liberals last week insisted on large bets with me that he would not lead them into that next election).

He said of Rowling that he "had a strong urge to tear his guts out" which he had suppressed. Well, nearly suppressed. At his last meeting at Palmerston North he was as if obsessed with Rowling, coming back repeatedly to him with denigrations couched in extravagant language.

Seeing him in that state, appearing a man scared stiff of losing and flailing about him, I began to doubt my "unconfidently National" forecast of a few hours before.

But in the end he came out of the election relatively well. Though he did say 45-45-2 would force another election, he was much more accommodating than Labour about 46-44-2 and said he would live with it.

And, in a sense, this election is a minor triumph for him.

Having, with him, got into roaring inflation, unemployment and alarming and rising deficits in the Budget and the external account, National without him would have lost.

With him, it appears to have held on in some form or other — by, basically, his uncanny appeal to the redneck vote.

But even he has been allowed to stay on only on ticket of leave. National's share of the vote went down yet again to a level that is ignominious for any Government.

A studied assessment of the fallout of the voters' decision must await the final counts this week. But those anti-democrats among the politicians who are tempted to tell the people they did wrong, should take serious note of one heartening factor about this election.

Some 90,000 more voted than in 1978.

This is no capricious, careless vote. It is a considered message.

Those of our politicians who can bring themselves to be democrats (and that is most of them) should stop playing numbers games, try to assess what that message was and respond to it.

* * * *

In the Election Watch analysis on Pages 25-32, which were printed midweek last week, figures used are those issued on election night, with the exception of the change in Gisborne. Thus Eden shows a 1.7 per cent swing to Labour when it should have been 1.8 per cent and Rangitikei a 1.4 per cent swing to Social Credit when it should have been a 0.7 per cent swing to National.

That makes the rise in Social Credit's share of the vote in its five best seats 1.4 per cent, not 1.7 per cent and the National-to-Social Credit swing in those seats 0.2 per cent, not 0.3 per cent.

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Letters

The Pacific's No 1 . . .?

I READ with interest your recent lead article on the economic woes of Air New Zealand.

As an expatriate New Zealander I have been saddened to witness the demise of Air New Zealand from a carrier with an unsurpassed reputation for superb inflight service popular with high yield full fare business traffic, to that of a third rate airline which many frequent travellers try to avoid if at all possible.

Last July I visited Los Angeles on business, but was accompanied by my 6-year-old daughter to honour a long-standing commitment to visit that childhood mecca known as Disneyland.

Against my better judgment, I decided to fly with Air New Zealand from Auckland to Los Angeles, via Honolulu on their new Boeing Super 747B.

The tickets were full-revenue first-class which, I suspect, must now be something of a rarity on Air New Zealand as most of our fellow first-class passengers appeared to be airline staff or travel agents and their wives by the manner in which they engaged the cabin crew in long and loud animated discussion about the injustices inflicted upon them by the airline's senior management.

My daughter promptly fell asleep after the early evening take-off and missed the meal service and in-flight movie. Four hours later, she awoke and, understandably, was hungry and thirsty. The cabin was in darkness and, with our fellow travellers all in deep champagne-induced sleep, I pulled the stewardess call button for assistance.

After 10 minutes of no response and an increasingly agitated child on my hands, I decided to investigate if all the cabin staff had been struck down by some mysterious ailment.

To my immediate, but short-lived delight, I encountered a gentleman sitting in the first-class gallery, with the quaint title of purser, who was avidly studying the racing pages of the Auckland evening paper.

I inquired if a drink and a light snack would be available and was bluntly informed, in no uncertain terms, that it was crew rest time and my daughter should have eaten with everyone else!

I then suggested that possibly he may be able to find something suitable since he was awake. A look of scorn appeared on the august gentleman's face and I was rudely told that it was not his job and against regulations to actually touch anything in the gallery.

Undeterred, I decided to try my luck in economy-class and found in the rearmost gallery a stewardess who was awake and at work. I explained my predicament to a sympathetic ear and she came to the rescue with a can of soft drink, cheese, biscuits and an apple.

However, these provisions were offered on the condition that I smuggled them past the gentleman busily studying the horses or else she would be in trouble!

The change of crew in Honolulu thankfully produced a friendlier stewardess who was more attentive, helpful and reminiscent of the old Air New Zealand style.

By contrast, the other airlines used on the same journey, Qantas, United and the Papua New Guinea national carrier, Air Niugini, all provided excellent in-flight and ground service to assist a mere male travelling with a lively 6-year-old child, often to the extent that their attention was embarrassingly above and beyond the normal call of duty.

In this era of discounting and low-yield advance purchase fares most airlines are placing greater emphasis on the high-yield top-end of the travel market to ensure high load factors and also produce at least a reasonable overall revenue yield.

However, dear old Air New Zealand appears to regard the front end of its aircraft as its own staff "perk" domain and woe betide any passenger who is foolish enough to actually buy a ticket.

As a frequent international first-class traveller, I would rate Qantas, Cathay Pacific, Singapore Airlines, the United States carriers and although only a small carrier, Air Niugini, so far ahead of Air New Zealand that any comparison is pathetic.

This view is, incidentally, shared by many of my business associates and fellow travellers and a sad reflection on New Zealand, which undoubtedly contributes to its national carrier's poor financial performance.

C R Gordon
Port Moresby,
Papua New Guinea

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WE are concerned that Grey Wiggs (*NBR*, November 2) has fallen into the trap he warned us about concerning tones of indulgence and patronage. We are also concerned that he seems to have some vague and undefined problem with his superannuation. We have a special service to help people with these problems. If he tells us what the trouble is we will ABCD it for him.

For some reason we keep thinking of motes and beams, but perhaps we're too old to remember what it is.

John Blakeley
Editor
Golden Times

Grey Wiggs says the actual net rate for married beneficiaries with secondary tax is $104.98, 17c more than stated by Golden Times. Mr Blakely, stands by his figure, as supplied by the Social Welfare Department. Mr Wiggs claims the documentary evidence of cheques from the department. Apparently it depends on whether a couple get their benefit jointly or individually.
— Editor

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Economics

Export emphasis no instant panacea

by Bob Edlin

THE Government's growth strategy — spurned at the general election by six out of 10 voters — was fundamentally influenced by our chronic balance of payments problems.

National's tinkering with the economy in recent years has been aimed at expanding production in our existing export industries and the successful marketing of that production. More important, National has been planning a more fundamental change to our economy by adding a new export sector — the energy-based sector.

By building this "growth face" in the economy, the Government aimed to mop up much of the unemployed and eventually to earn some $1000 million more in net overseas earnings from the energy-based projects.

Huge sums of capital would have to be raised, and the Government expects the current account deficit to deteriorate in the construction stages of the new projects. Not until the end of the decade would our current account be in surplus and our external debt begin to diminish.

Meanwhile, resources have been poured into the export drive, regardless of criticism that increasing export growth is not a sufficient condition for overall economic growth, particularly if exports are achieved through excessive subsidies or transfers to the exporting sector.

The effort certainly has not resulted in any easing of the unemployment problem. While real exports have grown from 22 per cent of GDP in 1974-75 to 28 per cent in 1979-80, and export volumes have increased by some 6 per cent a year in the past three years, unemployment has increased 12-fold since 1975. There is no sign of an easing.

The electorate's cool response to "Think Big" ought to send a responsive government back to the drawing board to modify its plans, if only to try to win the support of a majority of the people.

But last week's news from the Reserve Bank gave further cause to pause and question whether we should wait till the end of the decade — longer if "Think Big" is modified — to take care of our overseas payments problems.

The trouble lies with a faltering in the drive to export what we traditionally produce, compounded by some big payments by the private sector for imports and to settle overseas debts (the consequence of a gushing of the money supply to give the electorate that contented feeling on election day).

Things might be better than they seem, of course, but if that were so, Finance Minister Rob Muldoon would be a bit more willing to share with us the Treasury report on the economy traditionally prepared at election time.

Without Treasury's inside knowledge, we must look for pointers in data that is published — such as the latest Reserve Bank accounting of our overseas exchange transactions.

A current account deficit of $194 million was recorded for the month of October 1981 — a gap that had more than doubled over the $88 million deficit in October last year.

The deficit in the year ended October was $950 million, compared with deficits of $843 million for the year to September this year and $515 million for the year to October 1980.

Export receipts — already a matter of concern in September — were only 4 per cent higher in October this year than in October last year. Receipts from meat (-17 per cent) and wool (-25 per cent) give particular cause for concern.

Export receipts dropped in several categories in October, compared with October last year. Meat tumbled from $102 million to $85 million; wool from $67 million to $50.2 million; "other dairy products" from $17.1 million to $11.1 million; forest products from $49.2 million to $42.9 million; manufactured exports from $89.3 million to $79.9 million.

The high flyer this time was butter, up from $26.7 million in October 1980 to $75.2 million this time; cheese receipts were up from $6.7 million to $15.1 million; other animal products up from $28.7 million to $34.7 million; and other primary products up from $24.3 million to $36.9 million.

The figures on the receipts side of the ledger were given a healthy lift, too, by a significant increase in Government borrowing — $323.1 million, compared with $152.5 million last October.

Capital receipts in the private sector were up from $31.1 million to $49.9 million.

There was a significant increase in private payments for imports, from $400.1 million in October 1980 to $500.2 million this time. That took care of the bulk of total import payments of $534 million ($429.1 million in October 1980).

The worrying outcome was a deficit on trade transactions of $75.2 million (constrasting against surpluses of $34.3 million in October 1979 and $11.5 million in October 1980) and a worsening of our balance on invisible transactions, which have deteriorated from a deficit of $61.7 million in October 1978, to $85.6 million in 1979, to $99.1 million in 1980, to $118.9 million this October.

Export receipts in the year to October increased by 14 per cent, while import payments increased by 19 per cent.

As a result, the balance of trade transactions has deteriorated slightly over the year, from a $877 million surplus to a $802 million surplus.

Meanwhile both sides of the invisibles account have grown by 25 per cent since October last year, but the deficit on invisibles has widened from $1391 million to $1751 million.

In the year to October, wool receipts dropped to $970.7 million from $985.7 million in the previous October year.

Government borrowing almost doubled, from $647.2 million in 1980 to $1264 million.

On the payments side, private payments for imports increased significantly from $4536 million to $5413.5 million. The private sector even more significantly increased capital payments from $404 million to $515.2 million.

The three-monthly analysis of transactions (see table) shows a sharp deterioration in the current account deficit in the latest three-month period to a $522 million deficit ($291 million in the three months to the end of October last year).

There has been a pronounced private capital outflow in the latest three-month period, "probably reflecting the relatively easy monetary conditions in New Zealand over recent months compared to conditions abroad," the Reserve Bank reports.

(NZ$ million)	Three Months Ended 1980 Oct	1981 Jan	Apr	July	Oct
Export Receipts	1387	1384	1603	1912	1635
Import Payments	1293	1324	1326	1406	1677
Trade Balance	+ 94	+ 80	+277	+506	- 42
Invisible Receipts	290	345	361	360	380
Invisible Payments	674	700	700	927	841
Invisible Balance	-385	-355	-349	-567	-461
Current Account Balance	-291	-295	- 72	- 60	-522
Official Capital Account Balance*	+190	+ 32	+120	+172	+644
Private Capital Account Balance	+ 16	+ 24	+ 31	- 14	- 46

* Includes IMF Transactions.
(Totals may not add consistently due to rounding.)



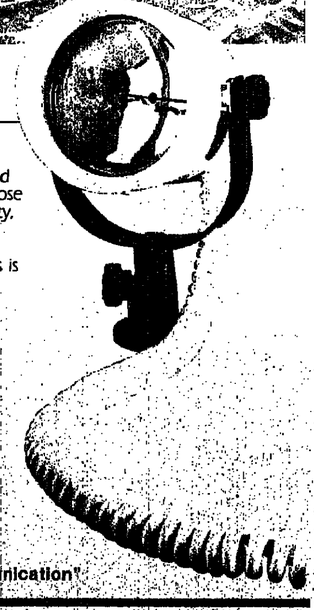
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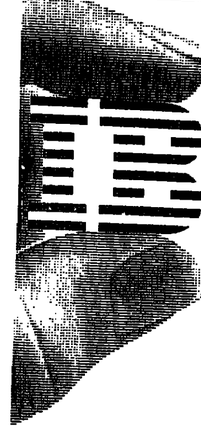
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Finance

FCL in competition with Govt for public 'spare cash'

by Klaus Sorensen

FLETCHER Challenge will seek Government approval for its debenture issues this week — so it can become the Government's main competitor for deposits.

This is the irony of FCL taking the cautious route of first securing Government approval for its rates — because the company is attempting to tap into the lucrative flow of money going into the Government premium stock issue.

It is understood that the Government has been attracting up to $1 million a day to its issues at a time when many other major borrowers have recently completed their issues.

So the Fletcher Challenge issue could be seen by the Government as a likely interruption to an otherwise healthy flow of money into Government coffers — money which will make a valuable contribution to a yawning internal budget deficit.

The company's attempts to avoid displeasing Muldoon on the sensitive issue of interest rates has raised a few wry smiles around Wellington.

The fact that FCL is tippytoeing in its issue preparations is seen as a reflection of the level of fear of retribution which Muldoon has instilled into the capital market.

As one institutional investment manager observed: "Fletcher Challenge could easily clean the whole market out with a competitive debenture issue — they could offer 20 per cent and take away money by the bucketfuls. But then they might just find their electricity price, and Tasman's stumpage, went up."

The private placement at a fixed rate will offer "the sort of rate the institutions are used to getting," according to one source, (which is normally a little more than the public rate and often includes a "placement fee").

It is understood the company will make this a "very private" placement with minimum sums of between $50,000 and $100,000.

The issue will be followed by a private placement at a floating rate using the commercial bill 90-day selling rate (currently around 16.2 per cent) with the option to convert into fixed rate debentures at any time up to two years.

This floating rate is designed to overcome the institution's reluctance to invest for longer terms — the floating rate will offer a competitive short term rate — and the conversion will be carried out at the private placement debenture rate prevailing at the time.

These two issues will be for $10 million each, with each one able to accept a further $5 million of oversubscriptions — a total of $30 million.

After that the company is likely to launch a public debenture issue before Christmas with a direct mailing to existing shareholders and debenture holders.

After Christmas the company will go to the public using a full press advertising campaign. This is expected to raise around $10 million each, from shareholders and from the public.

The issues will give the company the chance to use its new (for New Zealand) negative pledge borrowing instrument which has replaced the traditional and rather restrictive trust deed.

The negative pledge instrument allows the company to borrow unsecured — as is the trend overseas — while still having the ability to borrow from those lenders who require security for their funds.

The negative pledge basically says the company will not give any security to any lender without offering the same security to all other lenders.

Changes to computer

THE Dairy Board will make major changes to its planned countrywide computer network in the midstream of development.

The network is aimed to provide an information resource for the country's entire dairy industry, as well as possibly serving ancillary operations such as livestock improvement associations, cool stores and packers.

Initially, says the board, it "planned to provide a distributed data network with some limited use of application programs by the dairy companies' staff at each remote site.

"Under the new approach, the Board plans to install a number of minicomputer systems which already have pre-packaged application programs."

The dairy company machines originally planned for the network were Raytheon PTS 1200 minicomputers. In search of greater flexibility, the Dairy Board has now turned to Datapoint.

Under its ARC (Attached Resource Computer) concept, Datapoint nodes consist of clusters of processors. This will allow each company to change its configuration flexibly, to cope with growing needs while preserving its original investment in computer equipment.

If a user comes off the network, his machines can clearly be reallocated more flexibly to other users than can single minicomputers.

There are suspicions that Raytheon has been unable to deliver on some aspects of the original system, but the board declined to comment.

The board "will continue to install some Raytheon equipment at appropriate sites. This will communicate with the central mainframe . . . as originally planned."

Originally the network was planned with two centres in Wellington and Hamilton capable of backing each other up in the event of failure.

Seeing unjustified expense in this plan, the board has now brought the Hamilton node down to minicomputer scale.



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Sharemarket

NZFP result leaves market wandering lost in woods

by Klaus Sorensen

THE sharemarket looks set for a period in the doldrums. Any chance of a post-election market rally to celebrate what at this stage appears to be a likely National majority, was felled last week when NZ Forest Products Ltd reported a disappointing half-year profit result.

The NZFP result was particularly important because it crushed one of the few remaining bull points in the market — the belief that all company profitability is rising strongly.

An uncommonly good run of September 30 half-year reports in the weeks before the election lulled the market into a false sense of security.

Most of the results were from companies enjoying the domestic election-year economic cycle, but the market conveniently forgot that the forestry sector — one of the most important groups in determining sharemarket confidence — is having a much less easy time.

The result emphasised that there is still much uncertainty hanging over the market economically, and that investors should hold back and wait for some more encouraging signs.

The institutions have been out of the market, for all intents and purposes, for a couple of months. Now they are likely to stay out for another few months — particularly as the pre-election rally put many share prices beyond the sort of "trigger" prices which might encourage them to make some effective share purchases.

And the average private investor seems likely to be similarly reticent in the face of both economic and political uncertainty.

At best the market could drift sideways until the end of February or March, and at worst it could easily take another dive in the absence of any significant buying support.

One of the most important influences on the market from the points of view of both institutional and private investors will be interest rates.

Despite the Prime Minister's threats, exhortations, and controls, a tightening economy next year will put pressure on interest rates which — even if they are "unofficial" ought to rise by a couple of per cent at least.

In those circumstances many investors will move a proportion of their funds back into the fixed interest market especially if this market can provide a real return over and above the inflation rate.

Some tax-free dividend yields do offer effective rates of well over 20 per cent for those on maximum tax rates, but they often belong to the less attractive stocks.

The leading stocks may not be able to compete with debenture rates of 17 to 18 per cent, despite of the tax-free dividends aspect, and the result could be a sellout of the major industrial manufacturing and forestry shares.

Controls on the domestic economy, and particularly on the money supply are another bear point hanging over the market, as is the likely duration of President Reagan's recession.

This recession is tipped overseas to lift by mid-1982, but few investors are going to believe this until it happens. The recession in the meantime will affect some of this country's major exporters, particularly those with sawn timber, logs, and pulp to sell.

NZFP noted last week that export markets saw keen competition and lower demand with oversupply of Kraft pulp from North America leading to a softening of prices and some reduction in profitability.

Similarly paper also faced strong competition and prices fell as a result of supply pressures.

The bottom line result for the forest giant was a modest 5.7 per cent profit climb from $24.9 million to $26.4 million.

But closer inspection of the result reveals a rather more disturbing 24 per cent fall in pre-tax profits from $27.3 million to $20.7 million.

In addition to the marketing profits overseas, the company found the exchange rates worked against the company in one sense — a provision for a $2.5 million exchange loss was included in the result — and its problems were compounded by production problems at home.

What "saved" the day, as so many were anxious to point out, was the increase in equity profits from associates following the equity accounting of the UEB shareholding for the full period, and a $3.7 million tax credit stemming from export incentives.

This tax credit compares with a tax charge of $2.6 million in the first half of the 1980 year, and might at first sight suggest the company would have done a lot more poorly had it not been for export incentives.

However, the export incentives are but a component of a large number of items NZFP can deduct from its standard 45 cents in the dollar tax provision.

So from that point of view the tax credit is more a function of the movement (either up or down) in the company's pre-tax profit.

Tax credits act as a buffer against any fall in pre-tax profits, and with the latest NZFP result, merely appear larger because the pre-tax profit fell.

The reason NZFP's tax position has moved from a charge to a credit is simply the 24 per cent fall in the pre-tax profit.

Take the company which achieves exports of $100 million and therefore incurs tax-deductable export incentives of $10 million. The company earns a profit of $20 million, on which the statutory tax provision is $9 million. But with tax incentives of $10 million the company has a $1 million tax credit.

Were the profit $25 million pre-tax, the statutory tax bill would be $11.5 million from which the tax incentives deduction would leave a net tax provision (charge) of $1.5 million.

On the other hand, if the pre-tax profit fell back to $18 million the tax bill would be around $8 million — less export incentives of the same $10 million — leaving a $2 million tax credit.

In NZFP's case a recovery of pre-tax profits is likely to occur in the second half of the year, and therefore the company's tax liability will increase, so the chances of the company showing a net tax credit for the full year is less likely.

In the March 31, 1981 year NZFP found it had a pre-tax profit of $54 million, but that it had total deductions of $44.3 million to reduce this figure to a taxable profit of just $9.7 million — and a $4.8 million tax provision.

Of the total deductions some $24.6 million came from export incentives.

The company comforted shareholders last week with the news that sales and profits should be higher in the second half.

The company has two strong factors going for it — the continuing devaluation of the New Zealand dollar, and an upsurge in local building activity.

The mini-building boom sparked off by the election-year prosperity had only just begun to make itself felt by the company's September 30 balance date.

As well, housebuilding is expected to improve in the early part of next year and this, along with a strong trend in the house renovation market should ensure strengthening sales of building profits.

The weakening New Zealand dollar should help the company to overcome any fall in the volume of sales overseas — the dollar value of sales is guaranteed to rise provided the New Zealand dollar continues to weaken.

The first half saw a strong 25 per cent rise in total sales, from $261.8 million to $327.3 million, and a slightly lower 15.8 per cent rise in the value of export sales, from $65 million to $75.3 million.

Assuming sales increase at similar rates the company should have total second half sales of around $367 million and export sales of around $83 million.

This would lead to an increase in total sales for the full year from $544 million to $694 million and for export sales from $136.8 million to $158.3 million.

Some analysts are predicting a full year profit of as much as $60 million ($52.1 million in 1981) but even if you err on the side of caution, the company should earn $56 million comfortably.

One analyst told *NBR* last week that even though it wasn't a good half-year result — "but it wasn't a bad one either, because a bad one would have been minus 5 or 10 per cent" — he was sufficiently encouraged by the company's comments on the second half to lift his original full-year prediction from a 5 per cent profit increase to one of 10 per cent.

This would produce a profit of around $57 million which would require a rise in second half profits of around 12 per cent from $27 million to just over $30 million. But the important thing from this analyst's point of view is his assertion that the company will pay 24 cents this year (22 cents in 1981).

If that were the case NZFP would have a prospective yield at present of around 7.5 per cent, and would be a real "buy" — in normal circumstances.

But despite such an historically high yield, it might pay investors to err on the side of caution as well because the current uncertain economic factors could easily outweigh any fundamental attractions attached to shares, such as a good dividend yield.

A deterioration of economic confidence in early 1982 could have a serious effect on the sharemarket's current vulnerable state — and that could leave investors who follow their noses on some sound looking fundamental factors, the last buyers before the bear market.

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The week

The business week

THE disciplinary committee of the New Zealand Stock Exchange has found the partners of R A Jarden and Co were guilty of misconduct when they agreed to act for Fletcher Holdings Ltd in its acquisition of Carter Holt shares while being in receipt of confidential or sensitive information of Carter Holt affairs.

Each of the partners was censured, with a fine and costs being imposed. The disciplinary committee directed there be general publicity of the finding.

Alex Harvey Industries Ltdi Formica NZ Ltd is acquiring the assets of the AHI subsidiary **Laminex Industries Ltd** in a move towards rationalisation in the plastics industry following the IDC study. The move has approval of the examiner of commercial practices.

Bullins Industries Ltd has concluded negotiations to acquire the balance of shareholdings in **Skychef Catering Services Ltd** and **Skychef Catering Services (Wellington) Ltd.** The agreement includes the sale of Bullins' minority interest in **Skychef International Ltd** which holds the catering and bar concessions at Auckland's international and domestic terminals.

British Office Supplies (NZ) Ltd has purchased two retail stores from Christchurch furniture retailer **A J White Ltd** — the Auckland based **Hardleys Ltd** and **Sherston House (Wellington) Ltd.** Consideration for the purchase was 225,000 BOS new shares at a premium of 25 cents with the balance in cash

Carter Holt Holdings Ltd now holds or controls 3,203,060 shares or 50.8 per cent of the issued capital of **Canterbury Timber Products Ltd** following conversion of convertible stock units to ordinary shares. Consent of the Commerce Commission for the takeover offer has also been received.

Carter Holt Holdings Ltd has completed negotiations for the purchase of all shares in **F E Malcolm Ltd,** a Tauranga-based timber, builders and plumbers' supply merchant. The proposal received approval of the examiner of commercial practices.

Fenwick Ltd: unaudited profit after tax for the half-year ended September 30, 1981 was $1,324,000 (last year $2,710,000). An interim dividend of 9 per cent (last year 8 per cent) will be paid on bonus increased capital and will be tax-free, subject to shareholder and High Court approval.

Dominion Breweries Ltd: unaudited profit after tax for the half-year ended September 30, 1981 was $3,089,000. An interim dividend of 9 per cent, with 5 per cent tax-free, will be paid on December 22.

Endeavour Services Corporation: directors have recommended a restructuring of the company's capital. The plan is for a reduction in the par value of 50 cent shares to 25 cents with a bonus issue, and an increase of the company's authorised capital to 50 million 25 cent shares.

Farmers Trading Co Ltd: unaudited profit after tax for the half year ended September 30, 1981 was $4,580,083 (last year $3,064,600). An interim dividend of 10 per cent will be paid tax-free on January 20.

Poveaux Radio Ltd: unaudited loss for the half year ended September 30, 1981 was $111,300. Directors said the loss reflected non-recurring costs incurred before going on air.

ICI New Zealand Ltd: audited profit after tax for the year ended September 30, 1981 was $8,021,000 (last year $6,943,000). A final dividend of 13 cents a share is recommended.

Morrison PIM Holdings Ltd: unaudited profit after tax for the half year ended September 30, 1981 was $274,000 (last year $164,000). An interim dividend of 9 per cent (last year 7½ per cent) will be paid on December 16.

New Zealand Forest Products Ltd: unaudited net profit after tax for the half year ended September 30, 1981 was $24,340,000 (last year $23,656,000) An interim dividend of 11 cents a share (last year 10 cents) with 7 cents tax-free, subject to High Court approval, will be paid.

New Zealand Motor Corporation Ltd and **National Dairy Association of New Zealand Ltd** have announced the merger of the metal trading division of **Sheetmetals Ltd** (an NZMC subsidiary) and **Gollins Ltd** (a Dairy Association subsidiary). The newly merged company will continue trading under the name **Gollin Steel Ltd.**

Otago Press and Produce Ltd: unaudited profit after tax for the half year ended September 30, 1981 was $599,708 (last year $448,802). An interim dividend of 6 cents a share, (last year 5 cents), of which 2½ cents is tax-free, will be paid on December 21.

Renouf and Co went into the market on behalf of **Lion Breweries** for the purchase of 529,600 **Henry Berry** shares. The purchase was completed.

Rothmans Industries Ltd purchased 24.9 per cent of the capital of **Bullins Industries Ltd.**

Spedding Consolidated Ltd, a subsidiary of **Anthony Group Ltd,** has lifted the group unaudited profit after tax to $292,000. An interim dividend of 5 per cent will be paid on December 22.

Taylors Drycleaning and Laundry Services Ltd: unaudited group profit after tax for the half year ended September 30, 1981 was $93,650 (last year $32,730) An interim dividend of 7 cents a share, of which 2.5 cents is tax-free will be paid on December 18.

Teltherm Industries Ltd: profit after tax for the half year ended September 30, 1981 was $272,776 (last year $104,545). An interim dividend of 8 per cent (last year 6 per cent) will be paid on December 18.

Wilkins and Davies Construction Co Ltd: a further 8500 shares from the recent cash issue have been allotted, making a total of 575,129 issued.

1982
Selected Yearling Sale Series
The Venue for Champions

HYPERNO: 1981 Australian Marlboro National "Horse of the Year" (National Sales – $6,500 – $704,245). SOVEREIGN RED: 1981 Australian National Three-Year-Old Title. (Waikato Sales – $5,000 – $536,000. DRUM: 1981 NZ Wrightson "Horse of the Year" (Waikato Sales – $3,300 – $273,165). SILVER BOUNTY: 1981 Caulfield Cup (National Sales – $4,500 – $316,290).



The glamour 3 Y.O.'s NOBLE HEIGHTS was a 1980 National Sales purchase ($12,000) and ALTITUDE was offered at the Waikato Sales. Last January at the National you could have bought a filly for a quarter of a million, but you could equally have bought any one of over half the offering at $15,000 or less.

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26/27th January at Trentham – 499 lots

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18/19/20th January at Hamilton – 740 lots

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- A 'self starter' able to lead and motivate others.
- Age range flexible, but preferably the 30's age group.

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- A highly competitive salary is available.
- Benefits include company car, expense allowance, medicare, telephone and other executive privileges.
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Stock Exchange weekly review

FOR WEEK FRIDAY NOVEMBER 27 TO THURSDAY DECEMBER 3

	Last sale	Week's high	Week's low	Turnover
Airwork, 50c	70	..	..	0
6% pr	125	..	..	0
Ajax G K N	315	315	315	600
Alcan, 50c	173	173	172	400
AHI	295	308	295	36100
Alliance, 50c	143	143	140	38400
12% conv pr	143	143	143	200
Allied	184	184	180	9200
Allied Farmers	345	345	345	2200
12% conv pr	305	..	..	0
A M Bisley, 50c	205	210	205	12500
Ampol Pet, 50c	247	..	..	0
A Beaven	135	140	135	15200
11.5% conv pr	125	..	..	0
18 con prof	120	120	120	1800
Andes Group	152	152	152	800
5-8.5% pr	40	..	..	0
12% conv pr	140	140	140	200
ANZ Banking Group	390	390	388	102200
A Wright	375	..	..	0
'A' 8.7.5% pr	70	..	..	0
'B' 5-6% pr	60	..	..	0
A Barnett	275	275	275	7000
A Bliss	65	..	..	0
Ashby Borgh	410	..	..	0
A B Cables	360	350	350	300
Atlas, 50c	86	86	85	7700
10% conv pr	85	85	85	3800
Auck Gas	320	320	315	2700
Aurora, 50c	312	312	300	8500
10% conv pr	278	..	..	0
14% conv nts	185	..	..	0
ACI	270	..	..	0
Autocrat Sanyo	310	325	310	1600
Bailie, 50c	75	..	..	0
Baltics, 50c	155	160	155	68382
11% conv pr	140	140	140	10800
Bank NSW	570	572	570	1950
Bandons	180	182	172	9200
Brag Harris, 50c	96	100	95	2400
B N Z Finance	420	420	420	360
Brasley, 50c	428	432	420	39860
16.75% spec pr	105	..	..	0
Bow, 50c	90	90	86	10300
B H P, 200c	1900	1900	1800	750
Brother, 50c	100	..	..	0
Bunting, 50c	260	266	260	19200
C P D	295	300	295	14400
10% conv pr	380	..	..	0
C F M	340	350	340	1600
12% conv pr	240	240	240	100
Cent Hour	200	..	..	0
Cent Timber	450	450	450	500
12% conv deb	450	..	..	0
Capital Radio, 25c	106	..	..	0
Capital Life, 50c	100	..	..	0
Carbonic Ice	390	..	..	0
Carter Holt	378	392	377	19400
C&A Finance, 50c	280	280	275	4700
CCL	255	260	255	6400
Ceramco	238	242	238	27500
12% conv pr	135	..	..	0
16% red spec pr	400	..	..	0
Chenery	305	305	305	200
Ch'ch Gas	300	300	300	400
Ch'ch Press	400	400	400	650
City Realties, 10c	60	60	60	11800
Clyde Group	103	110	103	3900
12% conv pr	120	..	..	0
Collingwood, 50c	65	65	65	4800
13% conv pr	50	..	..	0
Col Motor	310	..	..	0
Colyer Watson	122	122	122	4000
Comalco, 50c	220	220	220	1700
Command	220	220	220	800
Con Metal, 50c	175	180	175	1500
conv pr	200	200	200	100
Cooks Wine	120	120	118	5800
Cory-Wright	180	180	180	1000
12% conv pr	180	180	180	100
10.25% t nov pr	150	..	..	0
Crown Consolidated	220	224	218	14600
11% conv pr	215	215	215	400
C S I	675	675	660	1000
Dalgety (NZ)	260	270	260	9200
Dalhoff & Lang, 50c	52	52	51	12700
Deanes	170	170	170	6000
D I C	170	178	170	3600
12% conv pr	150	..	..	0
Dingwall & Paulger	290	290	290	1800
D Mcl Wallace, 50c	108	111	105	7000
12% conv nts	105	106	105	400
11% nts '82	82	82	82	500
Dom Brew, 50c	130	147	130	58800
5% pref	80	80	80	600
11% conv pr	82	82	82	100
Donaghy's	196	196	190	4000
12% conv pr	200	200	200	100
D R G, 50c	70	100	70	3800
Dunlop (NZ)	355	355	355	3000
Dilosti	147	147	147	1200
Ebos, 50c	132	132	126	9400
E Lichtenstein, 50c	275	280	270	1600
Endeavour	210	220	175	13400
E Adams	235	..	..	0
Europa pref nt	92	92	92	500
F T C, 50c	142	145	140	22800
11% conv pr	112	112	112	1400
F Waimak, 50c	106	106	105	1200
Feltex, 50c	160	161	158	62000
5% pr	177	..	..	0
16% pr	177	178	177	2100
Firestone NZ	135	135	135	2000
Fisher & Paykel	346	348	346	4800
Fletcher Challenge	219	225	216	137900
15% conv pr	98	100	98	1600
15% conv pr	360	360	360	5800
Fountain Corp	110	110	110	500
Fovaux Radio	80	..	..	0
Freightways, 50c	193	193	193	2000
10% conv pr	145	..	..	0
Gear Meat	65	66	65	1100
11.5% conv pr	59	59	59	400
G Court	105	..	..	0
G J Coles, 50c	400	..	..	0
Golden Bay, 50c	89	89	89	23900
Goodman Group	238	238	232	132700
14% conv pr	236	236	235	300
Grosvenor Props	110	110	110	1200
Hallenstein	265	265	260	7900
Hauraki Enterprises, 25c	120	122	120	3700
Hawkins, 50c	105	108	105	3200
6.5% pr	28	..	..	0
H B Farmers	250	260	250	5300
13% conv pr	185	185	185	200
Healing	170	175	170	4400
12% conv pr	205	..	..	0

	Last sale	Week's high	Week's low	Turnover
H Pollard	300	300	300	4700
10% conv pr	390	390	390	900
Henry Berry, 50c	225	230	225	273924
Holeproof	230	230	230	1900
Huma Industries	180	180	180	200
5-7.5% pr pr	60	..	..	0
I C I (NZ)	215	216	215	4400
Ind Broadcasting	90	..	..	0
Independent News	210	210	210	7200
Ind Chem, 50c	235	235	235	2100
I Watkins-Dow, 50c	212	213	212	31000
J Hardy Imprv.	245	245	245	82500
James Smith, 50c	86	88	86	5800
14% conv pr	80	..	..	0
12% conv pr	54	..	..	0
J Burns	90	90	88	10100
14% conv pr	215	..	..	0
John Edmond	225	225	225	1200
J Wolvster, 50c	90	90	84	1600
12% conv pr	65	..	..	0
J Nathan	140	140	140	600
J Rattray	245	245	245	300
12.5% conv pr	208	..	..	0
L W Rudkin, 25c	108	108	105	49200
12% conv pr	145	..	..	0
Lanes, 50c	165	165	160	7400
L D Nathan	236	240	236	9400
9.6% conv debs	227	..	..	0
15.5% conv pr,90	195	195	192	1100
Leyland, 50c	160	..	..	0
Lion, 50c	182	184	180	11300
10% conv pr	200	200	200	3300
12% conv pr	160	160	160	11900
Lusteroid	236	..	..	0
Mainzeal Corp, 50c	220	..	..	0
15% conv pr	120	..	..	0
Mair, 50c	272	275	270	7800
11% conv pr	360	..	..	0
Manawatu Kint, 50c	122	..	..	0
Manawatu Radio	110	110	110	1300
Manthol	250	..	..	0
Marac	182	185	182	11500
McAlpine, 50c	128	129	128	6600
McKechnie	257	257	257	100
Metland	220	..	..	0
11% conv pr	200	..	..	0
M O'Brien, 50c	70	71	70	3000
12% conv pr	70	70	70	2700
15 conv pr	58	..	..	0
Muntana, 50c	140	142	140	3200
M-P I M	218	218	218	100
Motor Holds, 50c	166	167	156	13100
Motor Trad, 50c	96	..	..	0
5-8% pr	62	..	..	0
11.5% conv pr	82	..	..	0
MSI Corpn, 50c	96	97	92	14900
12% conv pr	92	92	92	6800
Mt Cook	210	210	205	11000
conv pr	170	175	170	3700
Nat Insurance, 50c	290	305	285	52500
Naylor	146	..	..	0
5% pr	25	..	..	0
Nell Holdings, 50c	90	98	88	32100
N Z Cement	155	166	160	400
N Z F C, 50c	115	116	114	7400
11% conv pr	105	105	105	300
N Z Farm Fert	195	195	190	6600
12% conv pr	175	175	175	1500
14% conv pr	155	155	155	1900
N Z F P	328	340	326	284800
N Z I G	400	400	400	1450
N Z I 10% conv pr	220	220	220	8700
N Z Light Leathers	45	50	45	1400
N Z Motor Bodies	86	86	86	2000
N Z M C	178	183	178	7800
N Z News	255	255	247	6800
N Z Refining	140	141	140	2100
N Z S B	78	81	78	261700
N Z Steel	196	198	195	24200
N Z United	560	560	560	12600
Nuhaka	205	..	..	0
Ocllins, 50c	97	102	96	89800
'A' 8% pr	20	..	..	0
12.5% conv pr	70	72	70	500
'B' 13% conv pr	75	75	75	1000
15% con notes	112	112	112	8000
Optical	52	52	50	2600
12% conv pr	50	50	50	1500
Otago Press & Prod	190	..	..	0
Pavroc Holdings	240	..	..	0
P D L Holds, 50c	345	350	345	3900
Perm Invest	95	..	..	0
Printing & Packaging	190	190	190	5500
11.5% conv pr	178	176	176	300
Progressive	185	185	182	28400
13% conv pr	390	390	385	1100
Prop Securities, 50c	230	236	228	8200
Prud Building	115	..	..	0
Quill Humphries, 50c	120	120	120	5300
12% conv pr	115	..	..	0
Radio Avon, 25c	112	113	112	900
Radio Otago	100	..	..	0
Regina	120	..	..	0
R & W Hellaby	92	97	92	61700
Reid Farmers	325	325	320	900
Repco (NZ), 50c	86	86	86	6800
Revertex	335	..	..	0
Rex Consol	300	300	300	5100
15% conv pr	152	152	150	600
Rheem, 50c	162	160	152	800
Rothmans, 50c	148	152	145	15800
R W Saunders	330	330	320	5100
Salmond	240	240	240	1400
Sanford	365	..	..	0
pr	365	..	..	0
12% conv pr	310	310	310	1200
12% 'B' conv pr	150	..	..	0
Schofield	210	..	..	0
Scott, 50c	96	96	96	6300
12.5% conv pr	85	85	85	600
Selby	285	285	285	100
Skellerup, 50c	320	320	320	1700
6-7.5% pr	40	..	..	0
Smith Bialels, 50c	160	168	160	4700
12% conv pr	160	..	..	0
Smiths C M	160	168	158	3200
Sthn Cross Hotel	190	..	..	0
S F M	280	285	280	1000
Spedding, 50c	82	82	80	6400
12% conv pr	83	83	83	1900
Steel & Tube, 50c	140	141	140	10300
Suckling	168	..	..	0
Taylors	155	166	165	6600
12% conv pr	175	..	..	0
Teltherm	170	176	170	6300
12% conv pr	136	..	..	0

	Last sale	Week's high	Week's low	Turnover
T J Edmonds	325	330	325	2300
Tolley	212	212	210	12300
Tourist Corp of Fiji	35	35	35	1000
Trans Ashburton, 50c	62	..	..	0
TNL Group, 50c	128	130	125	88100
10% conv pr	95	..	..	0
12% conv pr	110	110	110	800
Trans (Nth Cant)	135	138	135	1800
13.5% conv pr	112	112	110	1300
15% conv pr	110	110	110	100
U E B, 50c	123	127	123	25000
6.5-7.5% pr	120	..	..	0
12% conv pr	114	115	112	2500
15% conv pr	70	70	68	6100
United Bldg	120	..	..	0
United Publishing, 50c	275	..	..	0
Vacation, 50c	92	92	92	2100
12% conv pr	72	78	72	300
12.5% conv pr	68	..	..	0
Visionhire	124	124	120	7800
Waitaki-NZR	235	240	235	30600
11.5% conv pr	200	200	200	300
Walker & Hall	100	..	..	0
Wattie, 50c	193	195	193	29500
12.5% conv pr	115	115	115	1300
16% conv pr	190	190	188	6000
Welpak	410	..	..	0
Westfreight	196	..	..	0
Willins & Davies	320	..	..	0
6.75 7.5% pr	60	..	..	0
W Jeffery	150	150	150	200
12% conv pr	140	140	140	400
Wilson & Horton	405	408	405	47000
Wilson Distillers	195	..	..	0
Wilson Neill	110	110	108	9900
12% conv pr	135	135	135	400
Winstone, 50c	80	90	84	1515700
12% conv pr	55	56	53	19600
W Wills (NZ)	68	..	..	0
Wormald	300	300	300	200
5-7.5% pr	80	..	..	0
W Sutherland	105	..	..	0
Yates Corp	420	430	410	16400
12% conv pr	175	..	..	0
	Oil & Minerals			
Beach Pet, 50c	445	..	..	0
Bridgevale Mining	90	90	90	14000
Cent & Energy	30	30	28	40700
Con Silver	16	16	16	19500
Cue Energy	18	19	17	24000
Options	7	8	7	29000
Emperor Mines, 10c	178	..	..	0
L & M Oil, 50c	30	32	30	14500
Mineral Resources, 20c	67	70	65	59500
M I M Holds, 50c	7778	..	..	0
N Z O G	39	39	38	61200
N Z Petrol, 50c	220	..	..	0
Sthn Cross Mins, 20c	40	40	40	2000

AS at December 3. NZ dollar sells

Italy			989.80
Japan			178.61
Malaysia			1.8585
Netherlands			2.0193
New Caledonia			
and Tahiti			84.56
Norway			4.7249
Pakistan			8.1365
Portugal			63.42
Singapore			1.7085
South Africa			.8020
Spain			79.22
Sweden			4.6468
Switzerland			1.4812
West Germany			1.8410
Western Samoa			.8853

at:	
Britain	.4288
US	.8357
Canada	.9845
Australia	.7288
Fiji	.7144
Austria	12.92
Belgium	31.31
China	1.4332
Denmark	5.9728
France	4.8663
Greece	48.60
Hong Kong	4.6504
India	7.5827
Ireland	.8219

Marac Merchant Banking Group
MONEY RATES AS OF 3/12/81

	30 DAYS	90 DAYS	180 DAYS
LOCAL FUNDS – Commercial bills prime selling rate % p a	15.0	15.9	16.6
FOREIGN FUNDS Eurodollars % p a	12.5625	12.625	13.25

CURRENCY SETTLEMENTS	Spot	3 mth	6 mth
US dollars (buy/sell)	.8412/.8402	.8412/.8307	.8412/.8213

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Superphosphate not as super as it was, tests show

by Greg Newton

THE strong scent of controversy is replacing earthier smells more usually associated with New Zealand's fertiliser industry.

Superphosphate — easily the fertiliser by far the most widely used on New Zealand's grasslands — is now little more than half as effective as it was before the mid-1960s.

The trend is not news to the Government, the Ministry of Agriculture and Fisheries, or fertiliser manufacturers.

But it is news to farmers, and provides scientific confirmation for oft-heard mumblings about how the product, which now costs about $120/tonne at the factory gate, "isn't as good as it used to be".

Nearly 3.5 million tonnes of superphosphate, in various formulations, were applied to New Zealand's farms in the last three years, with subsidies on its use soaking up over $200 million.

Figures from chemical analysis of the fertiliser, and pasture production trials, both point to a steady decline in the efficacy of superphosphate coinciding with the increasing use of Christmas Island rock phosphate in its manufacture.

The declining effectiveness of superphosphate in pasture production showed up in a long-running trial at MAF's Winchmore irrigation research station, Canterbury, and in "pot" trials at the fertiliser research station, Auckland.

The Winchmore trial, on the go since 1952, compares production from pasture annually treated with two different rates of superphosphate with production from an untreated control pasture.

An application rate that until 1970 produced 90 per cent of maximum dry matter yield produced only 85 per cent in 1970-76, and 82 per cent in 1976-81.

A newsletter going this week to shareholders of the Ravensdown Co-op Fertiliser Co Ltd reported that the rate delivered only 73 per cent of maximum production last season.

A standard test to measure the amount of phosphorus in the ground has also shown a decline, after previously giving stable results.

Production from land given twice the fertiliser has not declined so fast, but tests that formerly showed increasing levels of phosphorus in the ground are now declining.

The November issue of the *Dairy Exporter* quoted soil fertility scientist Dr Bert Quin as saying that the results indicated "the effectiveness of the fertiliser may be little more than 50 per cent of what it used to be".

The pot trials undergone in Auckland "demonstrated that the proportion of Christmas rock currently in use could seriously impair the agronomic effectiveness of super," according to the Ravensdown newsletter.

Chemical analysis to determine the amount of phosphorus available to plants from superphosphate is conducted by measuring the amount of various compounds dissolved in a solution of citric acid.

In the North Island, total phosphorus in analysed samples fell from 9.8 per cent in 1965-70 to 9.2 per cent in 1978-81; the amount released in the citric solubility test dropped from 8.4 per cent to 7.3 per cent.

South Island results are even more drastic; total phosphorus fell from 9.5 per cent to 7.7 per cent, while citric solubility test results dropped from 7.8 per cent to 5.4 per cent.

The ability of the citric solubility test to replicate fertiliser performance in the ground is a subject about which very little information is available. Some work is going into that question now.

It is generally accepted, however, that phosphatic compounds not dissolved in the citric solution are largely in the form of unreacted rock. And that has been shown to be practically inert in the ground.

The Ravensdown newsletter, which went to three drafts because of "fresh complexities, information and trial interpretations" says it is not possible to give a simple and direct explanation for the drop in yield on the Winchmore trial.

Yet it concedes that, assuming the superphosphate used contained Christmas material in proportions typical for the whole country, "then it appears that the most likely reason for the lower production is reduced agronomic value of Christmas Island super.

"The main implication of that interpretation of the Winchmore trials, and other research, is that the use of Christmas Island rock phosphate with its iron and aluminium impurities is insidiously interfering with pasture production throughout New Zealand," the newsletter says.

"This interference possibly becomes worse with repeat applications of Christmas super year after year."

The Christmas Island rock now accounts for roughly half New Zealand's raw phosphate supply but has caused trouble ever since it was first used in the mid-1960s.

The impurities originally made up less than four per cent of the rock, but in the last five years have risen to 6 per cent and more.

According to the Ravensdown newsletter, "even a small proportion of this Christmas rock" caused severe difficulties with the physical condition of super, and a fall in chemical quality.

Much more attention has gone into solving the physical quality problem, which is manifest by the stickiness of the product formed when sulphuric acid is added to the raw phosphate rock during the manufacture of superphosphate.

One impact of the measures taken is thought to have been an increase in the amount of unreacted rock in superphosphate. As well, phosphorus available to producer active ingredients of the fertiliser is reduced because of compounding with the impurities.

The Ravensdown newsletter reports that a two-pronged attack is now being made on the possibility that the Christmas material is responsible for superphosphate's poor agronomic performance, as well as its manufacturing difficulties.

That company is holding extensive production trials into the "promising discovery" that a small proportion of reactive North Carolina phosphate in the usual Natura Nauru-Christmas blend can "much improve" the physical and chemical quality of super. the quality improvement will result in improved agronomic effectiveness.

And field trials are now aiming to establish the relevance of Winchmore results in other parts of the country.

A working party on superphosphate quality — whose membership includes Dr Quin, two other scientists, two professors and representatives of manufacturers and the Fertiliser Research Association — was set up.

The current investigations will have a bearing on New Zealand rock phosphate arrangements for 1982-83, although Ravensdown has pointed out that the Christmas material has been a significant factor in keeping down the price of superphosphate since 1965.

"This gain has been at the expense of the chemical and physical quality of super. The recent research indicating the possibility of a substantial hidden cost in the use of Christmas rock is receiving the urgent attention of the company and the whole New Zealand fertiliser industry," the newsletter says.

Farmers are already reacting to the doubts cast on superphosphate's effectiveness by switching to other fertilisers, although few recommendations are available at the moment.

Ravensdown is recommending that farmers get professional advice that covers actual soil requirements, and the relative cost of required elements obtained from various fertilisers.

One obvious impact of the reduced effectiveness of superphosphate is to make all fertiliser recommendations based on trials conducted before 1970 practically useless.

Week that was

THE Federation of Labour and Combined State Unions agreed to meet with the Prime Minister for wage policy talks early next year, but said the Prime Minister's letter proposing talks was restricted to the question of wage-fixing methods.

FOR the first time in more than 35 years Air New Zealand appointed an outsider as chief executive. New Zealand-born Norman Geary, European regional co-ordinator for British Petroleum, will take up his new position in February.

FOLLOWING a payment of $8.5 million, the Meat Board is confident the money will be on the way for the rest of the year's exports to Iran. Early last month shipments had been delayed over non-payment.

Week to be

WEDNESDAY: New Zealand Educational Institute conference, Palmerston North.

Wattle Industries Ltd AGM, Hastings.

FRIDAY: Clyde Group Ltd AGM, Lower Hutt.

George Court and Sons Ltd AGM, Auckland.

A M Bisley Ltd AGM, Hamilton.

SATURDAY: Jacquard Knitting Mills conference, Palmerston North.

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Customs rubs out Smurfs' direct route to customers

by Warren Berryman

WHILE Kiwi kiddies clamour for Christmas Smurfs and Smurfinalia, the Customs ogre has allied with the Rainbow People to declare war and unleash the forces of protectionism.

British Petroleum, king of Smurfdom, is fielding an army of 30 different Smurf-types. It has 120 further types in reserve overseas.

Lined up at the opposite end of the battlefield are the Rainbow People under generalissimo Lincoln Laidlaw, former Manufacturers Federation president.

In a free fight, the $1.20 Smurfs could be expected to triumph over the $1.99 Rainbow People.

The Smurfs have already won the hearts, minds, and pockets of Kiwi kiddies. Coming into New Zealand at the rate of 30 types a year, the full troop of 150 Smurf-types might take four more years to be released on the collector's shelf.

But Customs is closing the pass, threatening to leave the field to the Rainbow People.

Smurfs, for the uninitiated, are tiny plastic people who push petrol by beckoning gentle back-seat drivers to BP garages.

Spawned of European parents, Smurfs come to this fair land hand-painted via Hong Kong. The Rainbow People come from Portugal.

Sold at cost, the Smurfs retail for $1.20 each. Sold through toy stores at a 50 to 60 per cent mark-up, the Rainbow People retail for $1.99 each.

Laidlaw wanted to make Smurfs and Smurfinalia at his Lincoln Industries plant. But BP opted for cheaper Smurfs imported through K T Lawson and Sons.

A recent conclave of Customs officers convened in the capital to consider Smurf's customs classification.

They decided the little people were mis-classified and a plague on the domestic toy manufacturer's paradise.

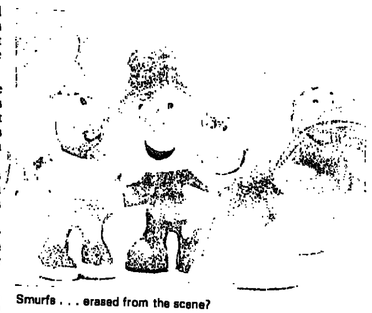
With a stroke of the pen, Smurfdom was blotted out with black bureaucratic ink.

The Hong Kong Smurfs and Portuguese Rainbow People had been slipping past import licence barriers and sales tax disguised as erasers since early this year.

"Got you little blighters," said the Customs ogre. Smurfs are Smurfs. When used as erasers their tiny heads blot the page. Besides, as my 3½ year old son could tell you, Smurfs don't like having their heads rubbed in such rough fashion.

Customs rushed to erect import barriers against the rising army of Smurfs, re-classifying them as figurines. Generalissimo Laidlaw was notified of the decision.

And he seems to have been delighted. Smurfs are okay so long as he makes them, but foreign Smurfs are not on.



Smurfs . . . erased from the scene?

Had BP allowed him to make Smurfs, Laidlaw said, he would have made a wide range of Smurfinalia as well.

He still has a strategic eye on Smurf manufacture, apparently, but for the present, at least, will content himself with leadership of the Rainbow People, making his miniscule mites here rather than importing them.

Laidlaw acknowledges bringing in Rainbow People as erasers, but says he did so only on discovering the route the Smurfs were taking through Custom's classification jungles.

Now that the little people have been classified as figurines, it was unlikely anyone would get an import licence to bring them in, Laidlaw said.

He said he had also considered importing skate wheels, made of a Rainbow People-type plastic, as erasers. But he decided against this.

Smurf importer Keith Lawson would not tell us how many Smurfs had been shipped in. Nor would he confirm informed rumours that about $300,000 worth of Smurfs and Smurfinalia had made it through the poss over the past year.

He had not been informed of the Customs re-classification, he said.

Lawson imports toys and manufactures them here. The Smurfs were imported, Lawson said, but he made most of the Smurfinalia here.

Lawson said he had been fighting against the import licencing system for years. His particular gripe was against toy licence-holders who neither imported nor distributed, but just sold the use of their import licences for as much as 100 per cent of the value of the goods to be imported.

Toy licences are among the most lucrative which the Government grants and retail prices for imported toys can be 16 times the fob price paid overseas.

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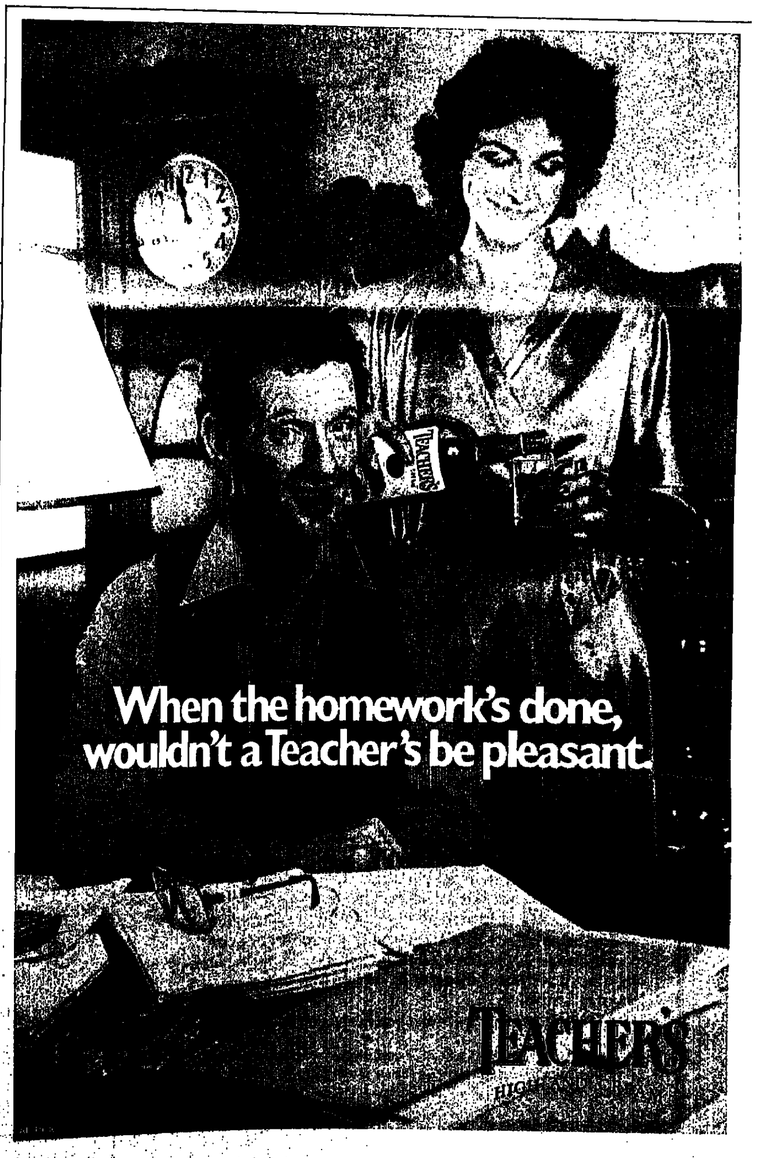
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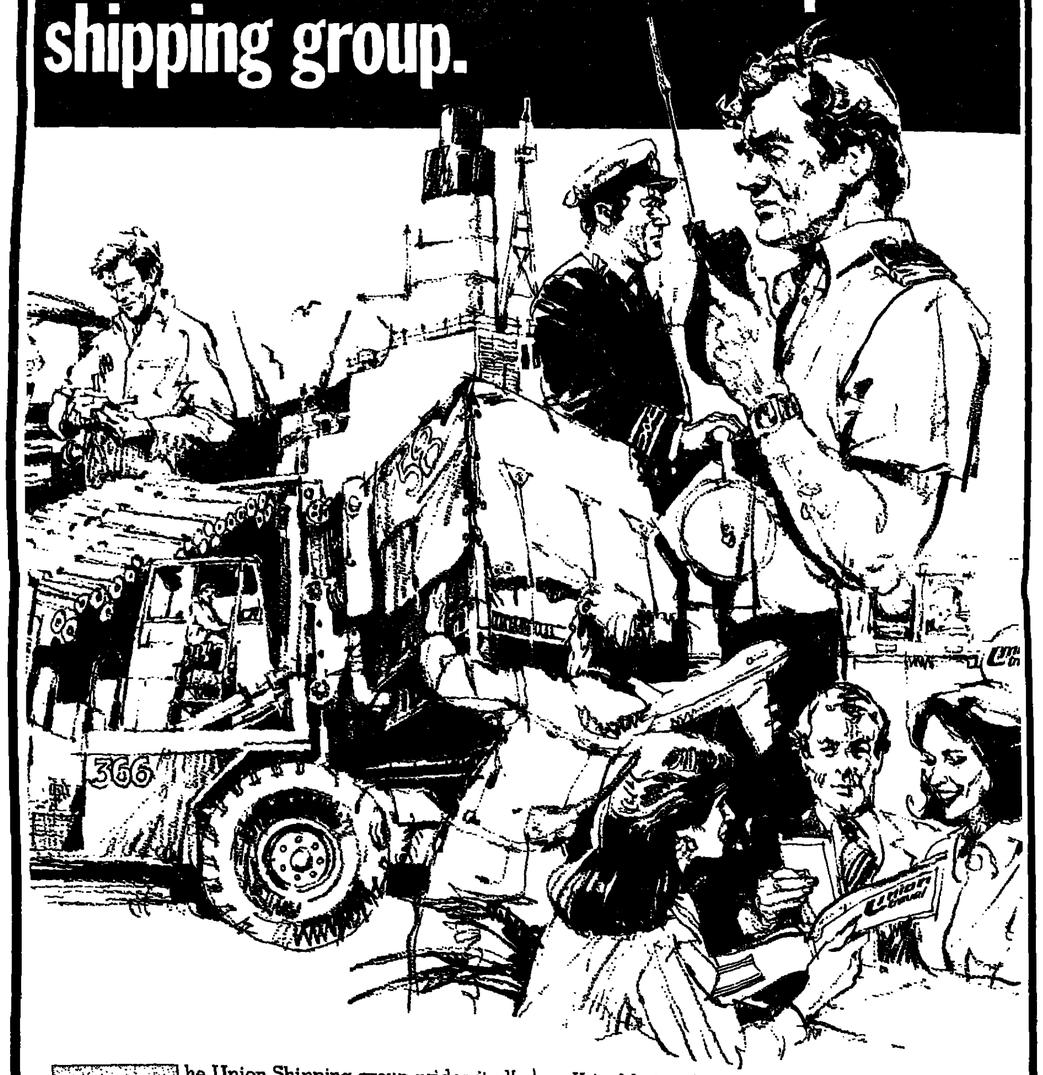
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Business

Analysing annual accounts: Wattie Industries

by **Klaus Sorensen**

DISCLOSURE in annual reports often seems to be in an inverse proportion to the level of profitability — the more companies earn the more they seem to want to hide.

But Wattie Industries has consistently provided above average disclosure in its annual reports, with detailed breakdowns of its divisional earnings.

The Hastings-based food giant has long been the butt of criticism from consumer groups, and while Watties might be expected to try to keep as much information from the public as possible, the 1981 annual report gives no indication of any profiteering.

The company's earnings went through a somewhat stagnant period in 1977-80 with the profit slowly rising from $12.5 million, to $13 million, to $15.4 million, to $17.5 million.

But in the year to July 31, 1981, the company lifted its net profit 35 per cent to a far more respectable $23.7 million.

This was achieved in the face of continuing cost pressure, but the company countered with an 18 per cent total sales increase from $385.1 million to $457.6 million which included a 36 per cent increase in export sales from $28.3 million to $39.3 million.

The net return on sales improved from 4.56 per cent to 5.18 per cent, but to put the profit into perspective, net earnings still returned only 12 per cent on shareholders' funds.

The return on assets employed was an even lower 11 per cent — though the company has undertaken a $21 million write-up of its land and buildings in the latest year which has helped to depress this figure.

But the most pertinent statistics are those divisional reports provided in table form within the managing director's review.

The four main divisions are canned food, frozen food, cereal milling and baking and trading and services.

And their profitability varies markedly with the largest division — frozen food; with turnover at $155.4 million — returning one of the lowest percentage profits.

Canned food produced total sales of $102.9 million with export sales of just over $8 million. The total group earnings after tax were $6.9 million to give a return on sales of 6.7 per cent. This division employs total assets of $80.6 million on which the profit returns 8.6 per cent.

Total staff employed was up from 1566 to 1669.

The frozen food division staged a recovery in net profit from $2.2 million to $6.3 million which included an increase in associates contributions from $1.1 million to $1.9 million.

The division itself increased its profit from $1.1 million to $4.5 million due to a reorganisation and recovery of fortunes in the icecream-making activities which comprise the largest single part of frozen food.

Total frozen food sales increased to $155.4 million and export sales were up by a stout $10 million from $17.7 million to $27.1 million. But despite this the return on sales was 4.1 per cent, and that on total assets employed of $106.7 million, was only 6 per cent.

Total staff employed was reduced from 2592 to 2390.

The cereal, milling and baking division was the single largest earner with a total profit up from $5.9 million to $7.8 million and also produced the highest return on sales of 6.9 per cent.

Total sales were up from $93.3 million to $113.1 million with the export component rising from $2.7 million to $3.2 million.

But the return on assets employed dropped from 11 per cent to 9.5 per cent — mainly because total assets employed rose from $53.5 million to $81.4 million — presumably as a result of the land and buildings revaluation.

Yet the cereal-milling and baking division earned $7.7 million with a significantly smaller number of staff in the division — numbers were down slightly from 925 to 922.

The trading and services division includes trading in industrial raw materials and supplies, building products and food products, as well as the refrigerated transport activities, refrigeration equipment and can-making.

The return on its turnover of $86 million was $2.6 million or 3.1 per cent. The division employed 838 people and returned 4.9 per cent on total assets of $53.1 million.

The big event of the year for the company was the purchase of a 24.9 per cent stake in the Goodman milling and baking group for $12.4 million.

Managing director John Haworth says that for the purpose of segment reporting this investment's contributions were included under the cereal and baking divisions. But apart from that, he does not quantify the effect this acquisition had, and will have on group profits.

The profit and loss account shows the share of retained earnings of associates after tax increased 80 per cent from $2.7 million to $4.9 million, while the net contribution to profit was this amount less dividends received of $2.8 million ($2.1 million) — resulting in a net contribution of $2 million compared with $662,000 in 1980.

The profit and loss shows sales increased 19 per cent, to $457.6 million, while operating expenses increased 18 per cent, to $431.9 million — leaving a 43 per cent higher operating profit of $25.7 million, compared with $17.9 million in 1980.

Including investment income, up from $4.3 million to $4.6 million, total pre-tax profits were up 36 per cent from $22.3 million to $30.3 million.

However, a 60 per cent rise in income tax left after-tax earnings up 28 per cent and, with the $2,072,000 net contribution from associates, the net profit was $23.7 million.

The notes show that while total operating expenses increased 17.6 per cent to $431.9 million, there were several interesting movements within the category.

Materials services and expenses increased from $283.3 million to $335.1 million, or 18.2 per cent, salaries and wages were up by a lower 12.6 per cent, from $65.4 million to $73.6 million, and financing costs were up 43.1 per cent, from $6.4 million to $9.1 million.

The note to the accounts on taxation contains the explanation for the sharp increase in the tax provision — the company simply ran out of deductions to offset against a climbing pre-tax profit.

While the pre-tax was up from $22.3 million to $30.3 million and the resulting income tax at 45 cents in the dollar increased from $10.0 million to $13.6 million, available deductions and incentives rose at a much lower rate, from $4.2 million to $4.5 million.

Included in this was a rise in export incentives, from $2.3 million to $2.9 million — a 27 per cent increase. This compares with the 39 per cent increase in exports.

But for those shareholders who find the report's 36 pages of information a little too daunting there is a sentence on Page 4 which tells them everything they need to know.

According to chairman Bill Morriss, "future policy is aimed at above-average growth both in dividend income and in share price."

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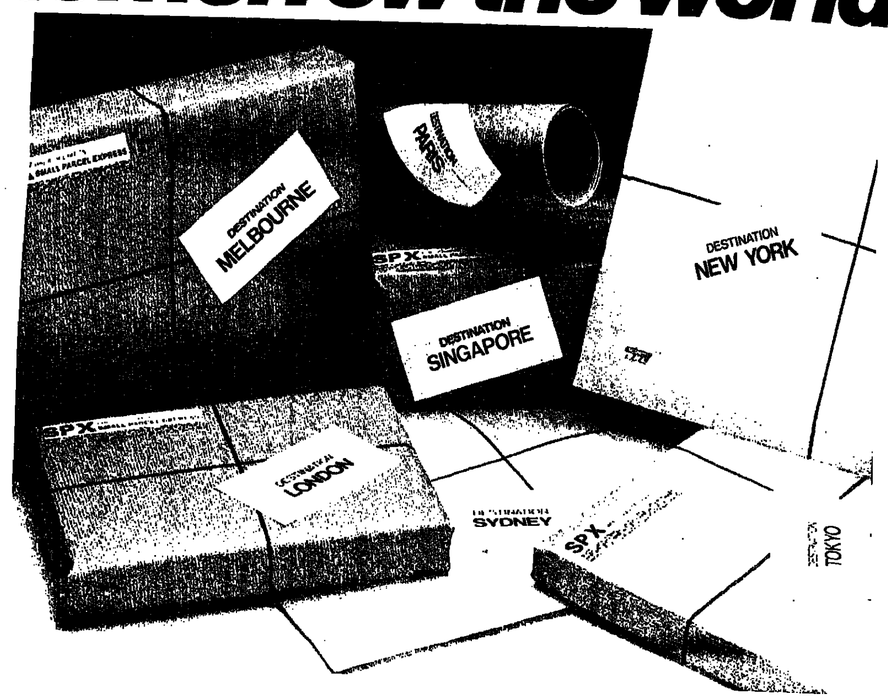
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Overseas trade

Tahiti beckons NZ trade with open arms

by David Robie

"FREEDOM of trade, freedom of the skies." This is the current catchcry of even such traditionally pro-French business and political leaders in Tahiti as Charles Poroi, president of the Papeete Chamber of Commerce.

And it looks as if they will soon achieve their goal, probably to New Zealand's trading advantage.

Constitutional reforms under review for French Polynesia envisage a locally elected government with powers to run its own affairs similar to the Cook Islands.

If adopted by the Territorial Assembly and President François Mitterrand's administration, as seems certain, it means that local Government Council vice-president Francis Sanford will assume full executive responsibility for Tahiti.

And government councillors will become full ministers with control over such areas as foreign trade.

Even after former president Valery Giscard d'Estaing conceded some local power to the *Front Uni* coalition of autonomist parties led by Sanford and John Teariki in 1977, Paris still held the upper hand in vital fields like foreign exchange, trade and transport.

Unlike New Caledonia, Tahiti doesn't have nickel or other big industry to keep the territory budget going and relies heavily on French subsidies (a situation that has continued since the nuclear testing programme was set up in the *early 1960s*).

However, Tahiti shows — both at business and local government level — a sharper awareness and greater enthusiasm for establishing homegrown industries.

Many such industries have been set up since 1977 and the Sanford government has encouraged much closer trade with New Zealand.

At the same time, local political and business leaders have been stepping up the pressure for greater autonomy over their affairs.

The Tahitian business community has strongly argued that, after all, their archipelago is in the South Pacific, not off the French coast.

Businessmen believe that freedom for greater trade with other Pacific nations such as New Zealand, where freight charges are so much lower, would be of enormous benefit to Tahiti.

And they insist that the "big brother" Paris trade policies of the past are only detrimental to local consumers.

Many local businessmen even want to do away with a whole range of trade hurdles — exchange controls, prohibitive customs duties, a quota system favouring French imports and the total prohibition of certain imports.

This changing climate has been reflected in New Zealand's growing share of the Tahitian market. French Polynesia has replaced Western Samoa as New Zealand's third-largest South Pacific market.

New Zealand exported $26 million worth of goods there in the December 1980 year to take fourth place with a 5.1 per cent share of Tahitian imports. France dominated with 47.6 per cent of the market — more than double the United States which headed the Common Market.

Australia held a mere 3.2 per cent slice, in contrast to the important place it holds in the New Caledonian market.

Last year also witnessed greater diversification of New Zealand exports to Tahiti. In the past the great bulk comprised meat (much of it air-freighted) and dairy products, but now it includes larger quantities of other products such as cement, paper, iron, steel and light machinery.

The diversification has not been achieved at the expense of meat and dairy products, which have more or less held their old levels.

One of the main factors in this marketing trend has in fact not been directly due to New Zealand exporters at all. It was because of a bold transport move by a Tahitian company.

Sea trade was given a fillip in 1979 when the Tahiti Line launched a monthly service between Auckland and Papeete. Previously, Tahitian importers relied on end-of-the-run cargo space with the New Zealand Shipping Corporation's extended service to the Cook Islands and Niue.


Tahiti's Sanford . . . encourages New Zealand trade.

A spokesman for the line's New Zealand agents, New Caledonia-based Sofrana Unilines, says that sea cargo to Tahiti increased by more than a 100-fold in the first year of the service. And the larger, 6000-tonne replacement ship Bounty II has also been successful on the run.

The Tahiti Line forced the issue of greater trading freedom. Faced with a *fait accompli*, the French authorities relented and relaxed the curbs on local businessmen wanting to buy New Zealand goods.

Licences were granted to almost any importer who wanted to buy from New Zealand.

Some New Zealand products are more expensive than those available in France or the United States — the price difference for cement, for example, is about 20 per cent higher.

However, the seven-day New Zealand-Tahiti run against two or three weeks cuts freight costs so sharply that New Zealand products are frequently rather competitive on the Tahitian market.

And there are many opportunities available for other products such as building materials.

The Tahitian experience is a welcome lesson for New Zealand exporters keen to widen their Pacific horizons.

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London 1980: **Autumn Riesling (1979) — GOLD; Cabernet Rosé (1979) — GOLD.**

In Ljubljana at the 1981 International Viticulture and Wine Growing Fair.
1980 Rhinesdale (Gold) 1978 Cabernet Sauvignon (Gold) 1980 Blenheim Riesling (Gold) 1980 Chardon (Silver) 1980 Woodhill Claret (Silver) Directors Port (Silver).
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Transport

'Air Auckland' needs to come back to earth in capital

by Bob Stott

"OUT of Wellington — out of control": so say some of the capital's pundits, and the question is whether there lies in this saying a germ of truth for Air New Zealand.

Why is Air New Zealand, almost alone among state enterprises of any significance, headquartered in Auckland?

It can be argued that it made sense for the original Air New Zealand to be based in Auckland, New Zealand's major international air transport centre, although it could have been headquartered in Wellington with no real problems.

If the Auckland-based international carrier was seen to be a little remote from the heartlands of New Zealand then it did not really matter.

But when Air New Zealand merged with the National Airways Corporation, a different requirement surfaced — to keep closely in touch with the customers.

NAC had always done this very well. The airline's branch managers always kept in very close contact with the communities served by the airline, and head office in Wellington in turn kept in close touch with the establishment, which like it or not is centred in Wellington.

NAC was always a local airline, easily accessible to the people it served. Being based in Wellington it was able to feed a constant stream of information into the news media.

If a newspaper in Timaru or Tauranaki had a query about NAC which could not be answered by its local NAC manager the paper could phone its Wellington man, who in turn could drop into NAC's head office on The Terrace where he would always find a welcome.

And there must have been a great number of small problems fixed up in another way — by working through local members of Parliament who were also able to phone or drop in.

Air New Zealand still retains a presence in Wellington, but it is very much of branch office status. Wellington journalists find that quite often their queries have to be referred to Auckland, and they find that it is not easy to get the answers they want.

Looking back at the vast number of questions asked in Parliament last session concerning different aspects of Air New Zealand, one wonders how much of that information could have been gained far more simply if the airline had been Wellington-based.

As well, the travel industry's national organisations are based in Wellington, which leads to the situation where an Auckland travel agent who has a problem refers the matter to his head office (in Wellington) which takes it up with the airline's head office (in Auckland). The travel industry head office (in Wellington) then passes the results of that communication back to its member (in Auckland).

And if Air New Zealand is the subject of adverse or inaccurate press comment, if the airline is bombarded with questions in Parliament, and if the travel industry gets in a tangle over matters such as fare discounting, maybe a contributing factor is that the airline is isolated in its Auckland downtown office.

Why does Air New Zealand remain in Auckland? The theory seems to be that that's where the operations are based, and this, of course, is true for the bulk of international operations. But a great deal of Air New Zealand businesss (and the most sensitive) is tied up in domestic services.

Apart from that, the theory that the boss has to be breathing down the necks of the operational staff is a bit dubious. If it's right, then Railways head office ought to move to the Te Rapa marshalling yard where the bulk of Railways' business rolls past each day.

Consider this comment: "The positioning of the corporate management in Wellington . . . reflects the concentration in Wellington of Government, Producer Boards, Trade Unions, Employer Organisations, and banking/finance houses."

This came from Tauranga's Bob Owens — and there is no more loyal Bay of Plenty man than this former Mayor of both Tauranga and Mt Maunganui — explaining earlier this year why the Owens Group was moving its headquarters to the capital.

It is very difficult to make an unarguable case for moving Air New Zealand's head office to Wellington, or at the executive level of Air New Zealand House. But most national organisations do in the end shift camp to the capital, and the airline is having difficulties in getting its side of the story across to the public at large.

The domestic air policy review is currently surfacing, for instance, and this was conceived and will be argued out in Wellington. It will have a vital effect on Air New Zealand's domestic services so it will be of tremendous interest to those living in provincial cities.

As the debate heats up, do all the interested parties have to troop off to Auckland, or will Air New Zealand send an emissary down to the capital?

I'd suggest that Air Auckland — sorry Air New Zealand — sends someone to Wellington some time, with the mission of talking to the press, the travel industry, exporter and importer organisations and all the rest of them in the capital, and see what the consensus is.

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Admark

'Girltalk' campaign boosts provincial circulation

by Claudia Perkins

"IT wouldn't work with a man anyway," says Bob Harvey of MacHarman ABH International.

Harvey is referring to a very successful promotion organised by MacHarmans that dramatically increased circulation figures for two evening provincial papers, against current trends.

Following the campaign the two papers, the *Waikato Times* and the *Manawatu Evening Standard* boosted their circulation by 11 per cent and nearly 20 per cent respectively.

MacHarman's campaign was based around two women, "Wendy of the Waikato", and "Sandy of the Standard".

The idea was that these two women would be presented as the attractive "girl next door" and personify the characters of the newspapers. Two models were to be used, dressed in the local football team's colours, in the visual advertising.

The next step was to recruit 25 Wendys and a similar number of Sandys into the local workforce.

There was a huge response, but in the end 39 women were selected and trained by staff trainer Ralph Burn for their role as Wendy and Sandy telephonists.

It was planned that these women would ring every household in the circulation areas offering three weeks free subscription to those houses that did not already get the newspaper. They also gave away calendars and free coupons for classified advertisements.

This was done in conjunction with an intensive radio campaign on the basis as to whether *you* had heard from Sandy/Wendy yet.

Posters were placed in all the agents' windows, and bumper stickers saying "Wendy's got your number" were on cars throughout the Waikato, with similar stickers for Sandy in the Manawatu.

Harvey admits that the campaign is sexist, but underlines that he is selling an attractive personality rather than anything else. For this reason he thinks it is acceptable.

At one stage there was a slight furore in Palmerston North when members of the Women Against Sexist Advertising picketed the *Standard* offices following a couple of unfortunate lines in the paper referring to the campaign, "keeping abreast of the Sandy campaign", and "how we deal with knockers".

Harvey underlines that these lines had nothing to do with MacHarman's campaign and were not part of the promotion.

Projecting a high profile

THE new advertising concept of projection advertising, run by Projected Advertising New Zealand Ltd, has gained approval for a site in the Auckland International Airport — the fifth venue for the new media.

The system consists of a projector which throws the image on to a metre and a half by two metre light reflecting screen. Each image, or advertisement, lasts for six seconds before the projector automatically switches on to the next image. There are 20 slots on each tape, and the projector runs continuously, after the last advertisement it switches back to the beginning.

Greg Allen, who owns and runs Projected Advertising thought of bringing the system to New Zealand five years ago, but only managed to import the projectors and screens at the beginning of January. The systems are quite common overseas, used in airports, bus lobbies and shopping arcades.

Allen had initially hoped to do some outside advertising with a bigger version of a similar system using walls of buildings as a screen.

However, he did not consider the quality of the image to be satisfactory, and felt that the hours of use would be limited by daylight saving, the advertisements would only really work in the dark when there would be too few people to see it and so justify the cost.

Consequently he concentrated on finding inside sites, and installed the first system in the Manakau City shopping complex in April. He subsequently placed projectors in Wellington Ariport, the Glenfield shopping centre, and Downtown.

The projectors are placed in slightly darkened areas to prevent light fall-off, preferably in a corridor where there is a busy flow of people. Allen has sold the space in the shopping complexes on the basis of product reinforcement at the point of sale.

He says he is selling brands rather than products and feels one of the major advantages of the systems is their mobility so that they can be placed close to the point of sale.

Allen offers two "packages" to advertisers, one for the shopping complexes and one for the two airports, offering product exclusivity. He considers that the two packages offer different audience profile to the advertisers and he has concentrated on national advertisers for the airports such as Diners, Hertz and Continental Airlines.

Allen has sold his media entirely through the advertising agencies where the reception has generally been good although he says there was a slight problem in that budgets tended to be already allocated to traditional forms of media.

A McNair survey in Australia of a similar system sited in a shopping complex showed that 90 per cent of those under the age of 39 who had passed under a screen showing advertisements remembered what they said.

— Claudia Perkins

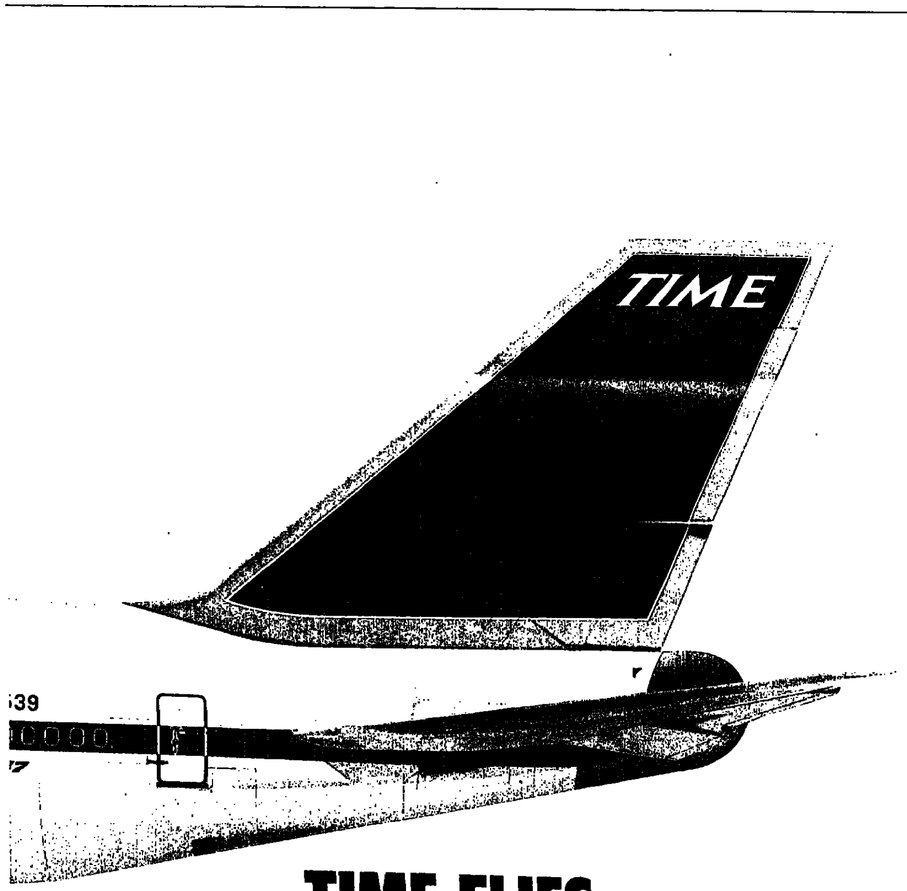
Adze column

IT is a saddening thought that we appear to have one standard of morality, policed admittedly by various acts of Parliament, for the advertising of goods and services and another for political advertising.

No commercial advertiser could escape some form of discipline if it based its promotion on unsupported assertion, inference, exaggeration, distortion or half-truths which mislead or deceive.

Yet the half-truth often seems to be the coinage in this election's currency. Example — comparison of dollar figures over a decade without adjusting for inflation. Example — showing a graph which differs from the text.

— Grev Wigs



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Survey of Time New Zealand primary readers by Erdos & Morgan, Aug-Oct., 1979.

CCdL-A-109

The result

ELECTION WATCH '81

Two elections, yes — but with complications

by Colin James

THE two elections we thought might happen did happen on November 28 — Labour doing better out of anti-National feeling where it had the best chance of winning and Social Credit likewise.

But within each of those two elections there were two phenomena which held National back from the disaster that could have overtaken it.

That, much simplified, is the 1981 election in a nutshell.

As *National Business Review* has suggested throughout much of this year, it was an anti-National election.

National's share of the vote went down 1 per cent.

It then became a question of how the arithmetic fell as a determining factor in the outcome.

The "two-elections theory" held by some suggested that if the anti-National feeling went to Labour in National-Labour marginals and to Social Credit where Social Credit had a chance of winning, it would tip National out and Labour in — even if, as happened, Labour finished up with less of the popular vote.

The two elections did happen.

While the country as a whole was swinging 0.4 per cent from Labour to National, in the nine most marginal seats — two Labour and seven National, vulnerable to a swing of less than 2 per cent — there was a 0.4 per cent swing from National to Labour.

In those seats Social Credit's share of the vote hardly moved — a mere 1.2 per cent compared with a nationwide rise of 4.3 per cent.

And in the "Socred belt" that reaches north of a line drawn from Feilding to Whakatane the swing from National to Social Credit was 5.7 per cent, compared with a National-Social Credit swing of 5.6 per cent in the country as a whole.

So why did National survive?

In each of the two elections there were two other mini-elections.

The anti-National election in the National-Labour marginals was countered — as *NBR* suggested on November 23 it might be — by a pro-Muldoon effect in certain important electorates.

Thus, while highly marginal National-held seats in Auckland and Wellington were going to Labour — Hunua, Kapiti, Miramar — three other highly marginal National-held seats in the provinces — New Plymouth, Invercargill, Marlborough — moved sharply towards National.

There were two exceptions to this rule: Labour-held provincial Hastings, which moved sharply to Labour, and National-held provincial Gisborne, which moved slightly towards Labour.

Hastings is explainable as partly the result of the shakeout of the big Social Credit vote in 1978 in the wake of the departure of the personable Jeremy Dwyer. In 1978 Hastings moved less towards Labour than the countrywide average, suggesting that Dwyer's rise had been a restraining factor.

And Gisborne did not buck the trend significantly: the movement to Labour from National there was 0.4 per cent, the same as the average swing in the most marginal seats.

The relative Labour success there may be due to a much improved organisation, compared with 1978.

What was the pro-Muldoon factor?

In common parlance, the tour. It has become commonly accepted that the tour tended to work for the Government in the provinces and against it in Auckland and Wellington.

Thus, Taupo moved towards National by a similar amount to that in New Plymouth, Invercargill and Marlborough — enough for National to gain it (provisionally).

And Wellington Central moved sharply to Labour — enough for Labour to gain it even though well outside the boundaries of the swing.

But the precipitating factor goes much deeper than the tour. If the tour has helped Robert Muldoon in those provincial seats, it is because it was part of a deeper phenomenon: Muldoon's appeal to the conservative small New Zealanders who have generally voted Labour in the past.

Muldoon speaks their language and they his. He was on their side in the Springbok tour and a few more Labour voters who have long thought him the more appropriate leader to their way of thinking while continuing to vote Labour out of habit or past loyalties, may have been prompted at last to cross to his party by his tour stand.

In all three of the highly marginal electorates which moved to National, the Labour vote dropped substantially and the National vote rose.

This analysis is not mere hypothesis.

Point one: the same phenomenon occurred in other small New Zealander provincial towns: Rotorua, 3.7 per cent to National; Taupo, 3.2 per cent to National; Palmerston North, 1.7 per cent to National; Timaru, 0.4 per cent to National; Wairarapa, 2.8 per cent to National; Hamilton, 0.8 per cent to National; Whangarei, 1.1 per cent to National; Tauranga, 3.3 per cent from Labour to National.

The exceptions are those where special factors applied: Nelson, where maverick Mel Courtney demolished the National vote; Waitaki (3.5 per cent to Labour), where the absence of the 1978 anti-Laney factor and uncertainties among the dam workers helped Labour; safe Labour seats Wanganui and Napier where doubts about Labour went tactically to Social Credit (see below); and Hastings and Gisborne, already mentioned above.

Point two: socioeconomic analyses of the Heylen Poll over the past 18 months show clearly the Muldoon pull in the groups where the small New Zealander is most to be found.

A full analysis of all polls up to that taken a week before the election will appear in next week's *NBR*.

On the other side of the coin is the middle class discontent with Muldoonist politics.

The polls have shown this, too. In the election there was confirming evidence.

It can be seen among the old money in Remuera (3.7 per cent swing to Labour), Karori (Ohariu gave a 1.6 per cent swing to Labour) and Fendalton (2.3 per cent swing to Labour).

It can be seen among the climbers in Pakuranga (20.0 per cent swing from National to Social Credit) and East Coast Bays (held by Garry Knapp).

And it can be seen amongst the liberals in Wellington Central (5.1 per cent swing from National to Labour), Eden (1.2 per cent to Labour), North Shore (2.9 per cent to Labour) and Birkenhead (1.7 per cent to Labour). For good measure Tamaki gave one of the biggest swings to Labour (4.0 per cent).

The balance, however, lies with pro-Muldoonism. It poses a cruel dilemma for the National Party: go on with election-winning Muldoon but winning elections with the votes of people who are not really Nationalists while turning off large numbers of its own people; or turn Muldoon out and risk losing elections.

For Labour's respectably middle class liberal leadership it poses also a serious difficulty: how to shore up its own support while Muldoon is rooting around in the undergrowth.

Continued Page 28

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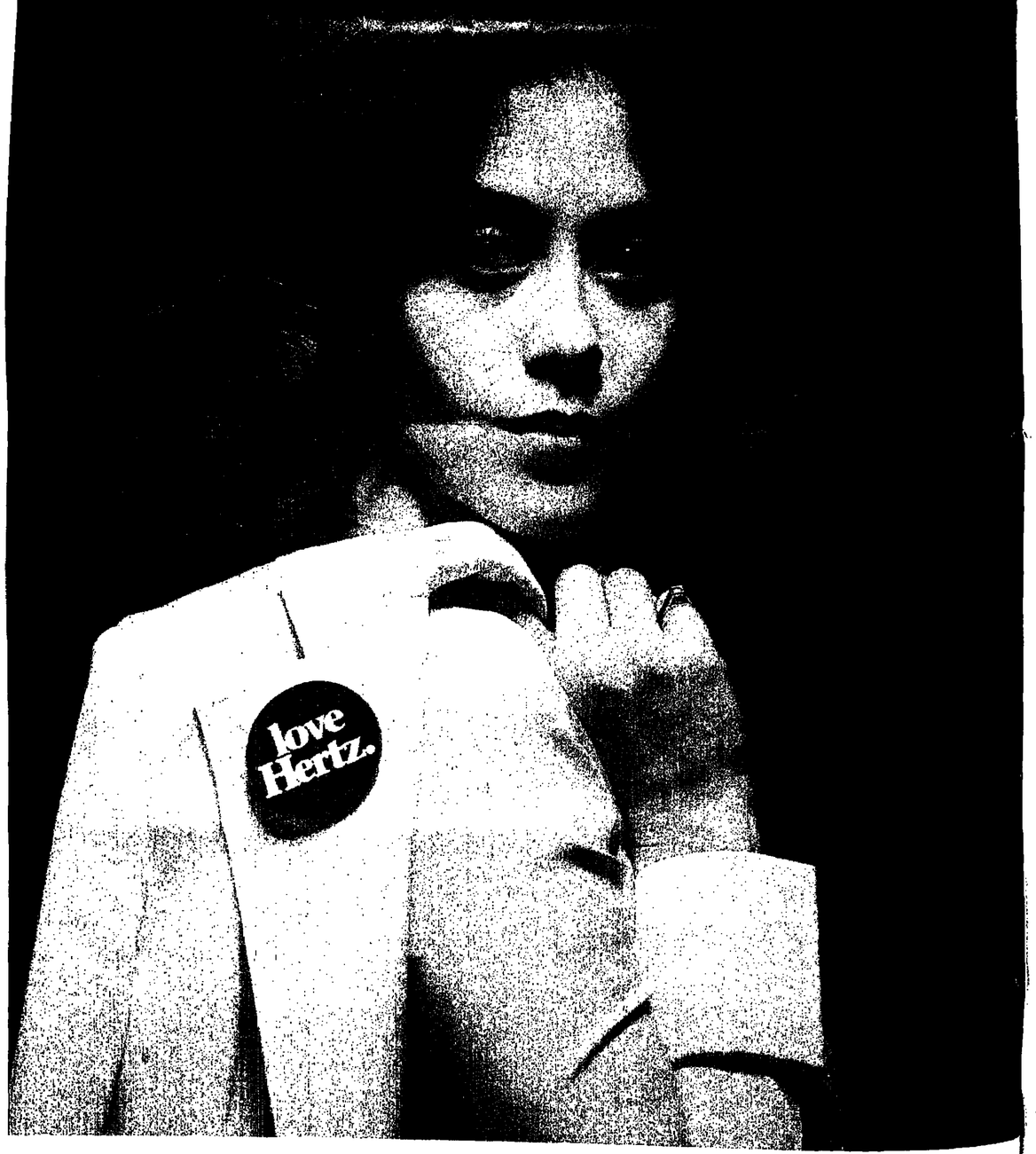
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GNA 133

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NBR

And the second election

From Page 25

THE "second election" was between National and Social Credit. And it, too, was confused.

In the "Socred belt" in the North Island Social Credit's share of the vote rose 5.3 per cent — well above the average 4.3 per cent movement.

Had that movement been evenly spread, Social Credit would have gained one, and maybe more, seats. But it was not even.

In Social Credit's five best seats there was an average rise in its share of the vote of only 1.7 per cent — and a swing to Social Credit from National of only 0.3 per cent.

That kept it Rangitikei and East Coast Bays, but denied it Kaipara, Bay of Islands and Hauraki.

In Kaipara there was a swing from Social Credit to National of 1.4 per cent and in Bay of Islands and Hauraki, where about 6 per cent swings were needed (in other words only a little more than the national average), the swings were only 3.6 per cent and 1.4 per cent.

In both Bay of Islands and Hauraki the Labour vote held up just enough to allow a firming National vote to carry the day.

In Rangitikei, Beetham improved his position against National despite a rise in Labour's vote (probably in response to a very attractive young Labour candidate, Mark O'Connor).

In Kaipara National won by rebuilding its own vote, despite a slight fallback in Labour's share of the vote.

In East Coast Bays, Knapp ensured his return by eating further into the Labour vote.

Social Credit did better in its 13 second-best seats — Kaimai, Matamata, Tarawera, Tauranga, Waitotara, Waipa, Taupo, Helensville, Whangarei, Hastings, Pakuranga and King Country.

It was there that the two-elections theory held good. It was these seats where Social Credit for the most part was seen as the most effective alternative to National because it was second or a strong third before the election.

The average rise in Social Credit's share of the vote in those seats was an above-average 5.2 per cent and it was at the expense of Labour (an 8.1 per cent swing from Labour, compared with a New Zealand average of 5.9 per cent).

Had the same pattern applied in the five best seats, Social Credit would have picked up at least Kaipara. But it did not.

And even in the second best seats there was not enough bite against National. The swing from National to Social Credit was a below-average 4.6 per cent.

Social Credit did much better elsewhere in the "Socred belt" — in Auckland. In metropolitan Auckland as a whole it won a swing from National of 9.1 per cent (against the average 5.6 per cent).

In *NBR* on October 26, in the wake of a survey this newspaper helped the Okaihau College in Northland carry out in the middle segment of the Bay of Islands electorate, I speculated on the possibility that the balance of the Social Credit thrust may have been shifting from the countryside to the metropolitan area.

The Okaihau College survey gave National a healthy lead (confirmed on November 28) at the same time as the national polls were still showing Social Credit with about 25 per cent popular support.

This speculation was borne out by the election result.

While Social Credit's share of the vote in its five best seats went up by an average of only 1.7 per cent (compared with a 4.3 per cent national average), its share of the vote in Auckland went up 6.7 per cent.

This shift effectively neutralised the impact of the second election.

It suggests three things about Social Credit's attraction.

One, raised in the October 26 article, is that there may be a certain novelty factor.

In other words, Social Credit makes its biggest gains where it has not been tried out as a major runner, but the longer it holds that role — unless there is a strong personality to carry it (Rangitikei and East Coast Bays) — the weaker its additional attraction is.

The second is that it is still essentially a negative vote — against a party rather than for. There is much more room for such a vote in safe Labour and National seats than in marginals.

Note, for instance, its past success in safe National rural seats, where it held nine second places in 1978 — to which total it added two more (King Country and Wallace) plus the mixed urban-rural National seat of Waikato.

Social Credit also scored a stunning result in Pakuranga, where Neil Morrison climbed from a distant third to within 700 votes of unseating National's Pat Hunt.

And it moved into second place in three safe Labour seats: Wanganui, Mangere and Porirua. It won a good third in others such as West Coast and Avon and did relatively well in several others.

But in marginal National-Labour seats, the Social Credit vote did not move nearly so much.

In the nine most marginal seats the Social Credit vote moved only 1.2 per cent.

In the next most marginal seats, those susceptible to change on up to a 5 per cent swing, Social Credit's share of the vote climbed 2.7 per cent in marginal Labour-held seats and 2.3 per cent in marginal National-held seats — well below the national average.

In fairly safe Labour-held seats it moved 6.0 per cent, in the safest Labour-held seats 5.5 per cent, in fairly safe National seats 5.5 per cent — all above the average 4.3 per cent. Even in the safest National seats, where it made well-above-average gains in 1978, it still matched the national average this time.

The contrast can be seen starkly in the above-average movement of 4.7 per cent in the Waikato seat which takes in a large chunk of Hamilton but was safe National and the two Hamilton seats which, being marginal, together accorded only a 1.6 per cent larger share of the vote to Social Credit.

Exceptions to that rule: the two west Auckland seats of Helensville and Waitakere where Social Credit ran two good thirds, with two strong candidates.

The third point about Social Credit's rise is that to win a seat, it cannot rely on collapsing the vote of the opposition party within that electorate, but must take votes from the party that holds it.

Thus in Rangitikei, Beetham would never have won if he had relied on disaffected Labour votes alone. He had to win National votes, too.

This is easier done in a by-election, when party loyalties are weaker (because not tested by the fear of losing the overall election), than in a general election when there is a fear that putting one's own party out in an electorate might leave the most hated rival with more seats in Parliament overall.

Only once, in 1966, has Social Credit won a seat in a general election without first winning the seat in the freer conditions of a by-election.

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. . . with some winners amidst the confusion

SO Social Credit's achievement in this election has a bittersweet quality.

If there were winners among the three main parties, the winner was Social Credit. It pushed its share of the vote up 4.3 per cent and won two-party swings against National of 5.6 per cent and Labour of 5.9 per cent.

It also spread its support into a range of urban Labour-held electorates, thus giving some substance to its claim to be in the middle of New Zealand politics.

It will also have given both National and Labour strategists some cause for deep thinking.

National may be smug at keeping Kaipara, but cannot be happy to have been pushed into third in Wanganui, where it held the seat only nine years ago.

But for Social Credit there is also cause to ponder.

It has failed to take seats it should statistically have been able to corner (Kaipara) or at least come close to taking (Bay of Islands and Hauraki).

It has failed to make a significant impact in the National-Labour marginals.

Its success has principally been where it can do no harm — up to, but not over, the hill in safe seats.

The lesson of this election is that it does not yet have a solid constituency from which it can successfully push on to the heights of New Zealand politics.

In support, in short, is soft. In a future election, it could easily melt. That future election may well be the next one.

The Maori winner

By contrast with Social Credit, another minor party does appear to be developing a base.

Mat Rata's Mana Motuhake movement has now secured itself as the second party in Maori politics.

In all four seats it came a clear second.

Rata himself slipped back from a close second in last year's by-election to a fairly distant second in Northern Maori (National anti-Labour by-election votes probably went to Rata) and the hoped-for surge in Eastern Maori did not eventuate.

But if it sticks around, it is now a clear alternative to Labour in the Maori seats. And if there is another Labour Government in the relatively near future, Mana Motuhake will almost certainly gain ground out of disaffection when Labour has to front up to its promises it has made under duress.

The other two white parties have been relegated to minor status.

Relative to National, Social Credit improved on its 1978 showing. Then it pushed National into third place in two electorates. This time it pushed National into an ignominious fourth position in three of the four seats.

National, which prides itself greatly on getting part-Maoris into general seats (one, Winston Peters went west this time), clearly has a deep communication problem with those Maoris who still strongly identify as Maoris.

It is a recipe for growing discontent in the polynesian "ghettoes" of Otara, Te Atatu, Porirua and Newtown.

Women won — and good men

WOMEN were winners, too, in this election. Four new women elected, two of them — National's Ruth Richardson and Labour's Helen Clark — easily the most able of the new MPs. And about as far to each side of the fence, one right, one left, as two new MPs could be.

Women's achievement will be examined more fully by Judith Aitken next week. But it is worth noting in passing here that they won some of the biggest swings in either direction.

That may partly be because, besides being women (one potential factor in their favour for women otherwise confused as to how to vote) those who achieved the big swings were strong candidates.



Ruth Richardson . . . right-wing ability.

There is some evidence that candidates' personalities generally may have played a bigger-than-usual role.

National's Derek Quigley pulled the swing towards him in hostile Christchurch; National's Marilyn Waring (another strong woman) did it in Waipa; Labour's Clive Matthewson nearly pulled off a coup in Clutha; Labour's thoroughly nice David Butcher did well in Hastings.

More detailed analysis is needed to establish whether it was the candidate, as distinct from other factors, which swayed the vote in those places. But at first blush, it is good to see good people doing well.



David Butcher . . . nice win in Hastings.

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FIRST THE BAD NEWS

This Villa Maria wine failed to win a prize at the 1981 National Wine Awards. It's a new wine appearing in competition for the first time



GREY RIESLING P. Bin
Our first experimental vintage of this new grape to NZ
It shows great potential with a mellow Traminer character.
Limited availability

...AND NOW THE VERY GOOD NEWS

Out of 13 entries 12 of our 1981 wines won a medal, so we're not complaining. And unlike many of the prize-winning wines you don't have to know someone, or have a million dollars to buy them. Every one of these prize wines should be available wherever Villa Maria wines are sold.



BROOKVALE RIESLING-SYLVANER
GOLD MEDAL — Ljubljana 1981
BRONZE MEDAL — NZ Nat. 1981
NZ's favourite fruity Muller Thurgau style
Available nationally in bottles, decanters and cask.

HAWKES BAY RIESLING-SYLVANER
BRONZE MEDAL — NZ Nat. 1981
The wine drinkers choice, dry, yet with full varietal character
Available nationally.

SPAETLESE RIESLING SYLVANER
SILVER MEDAL — NZ Nat. 1981
A medium sweet style made from late ripening grapes. Available nationally.

CAMBERLEY DRY PREMIUM WHITE
BRONZE MEDAL — NZ Nat. 1981
A clean White Burgundy style, for the drier palate. Available nationally in bottles and decanters.

BLACK LABEL SPARKLING
SILVER MEDAL — NZ Nat. 1981
A premium bubbly refreshingly dry
Available nationally.

GOLD LABEL SPARKLING
BRONZE MEDAL — NZ Nat. 1981
A Premium bubbly fo mordium taste Availal nationally.



RIESLING-SYLVANER TRAMINER P. Bin
SILVER MEDAL — Ljubljana 1981
SILVER MEDAL — NZ Nat. 1981
A 50/50 premium blend resulting in an exceptional wine in the Alsace style.
Available nationally.

CHARDONNAY P. Bin
GOLD MEDAL — NZ Nat. 1981
One of the finest examples of this dry white, with full varietal character.
On national release during December.

RIESLING-SYLVANER GEWURTZTRAMINER
SILVER MEDAL — NZ Nat. 1981.
A good combination of fruit and dry spicy character. Available nationally in bottles and decanters.

AUSLESE RIESLING P. Bin
SILVER MEDAL — NZ Nat. 1981
Dessert or aperitif wine made from late-harvested ripe grapes.
Limited release.

WHITE CABERNET P. Bin
SILVER MEDAL — NZ Nat. 1981
A clean dry white made from free run juice of Cabernet grapes.
Available nationally.

CABERNET SAUVIGNON
BRONZE MEDAL — NZ Nat. 1981
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SKILL PATIENCE DEDICATION
VILLA MARIA *Wines to suit the occasion - or make it one*

The results

ELECTION WATCH '81

For Labour sobering messages — but also hope

by Colin James

A LOT of cause for concern and some cause for hope — that is Labour's lesson from the election.

Labour did best in Dunedin. It tightened its grip on that grim city with a 2.9 per cent rise in its share of the vote and a 2.9 per cent swing from National.

That compares with a drop of 1.6 per cent in the share of the vote in the country as a whole and an average nationwide swing to National of 0.4 per cent.

Labour's performance in Dunedin comes on top of a well-above-average rise in share of vote there in 1978 and a well-above-average National-Labour swing. Dunedin, already a solidly Labour city, has become even more so.

Even in St Kilda, where National at one time had hopes of a win, newcomer trendy university lecturer Mike Cullen won a small 1.2 per cent swing towards him.

Star performer was Stan Rodger in Dunedin North. Rodger picked up one of the biggest swings in 1978 (11.4 per cent) and did so once again - this time with a remarkable 8.0 per cent.

In Christchurch Labour also did better than average, managing a 0.4 per cent rise in its share of the vote and a 1.6 per cent swing from National. That goes on top of a 6 per cent rise in vote share and 8 per cent swing in 1978, giving Labour a firmer grip on that recession-hit city, too.

In the South Island as a whole it did better than average, losing only 0.8 per cent of vote share and managing a 0.5 per cent swing from National.

Fine, as far as it goes. Except that the swing did not work, or work enough, where it counted in the vulnerable marginals of Marlborough (4.1 per cent swing to National), Invercargill (3.7 per cent to National), Selwyn (2.4 per cent to National), Rangiora (only 0.8 per cent to Labour), Clutha (2.2 per cent to Labour) and Waitaki (3.5 per cent to Labour).

And except that the South Island is a doubtful place to be strong in. The old Liberal Party retreated there to die. Is that what is happening to Labour?

The second principal cause for concern in Labour's rout in the North Island countryside.

In the rural seats of the Waikato-Bay of Plenty region it is now decidedly third behind Social Credit. Election night figures gave it 22 per cent of the vote (down 2.7 per cent), compared with Social Credit's 29 per cent. Three years ago the two parties were neck and neck.

Labour had already in 1978 collapsed to a dismal third in the two Northland seats of Kaipara and Bay of Islands. Its position worsened there this time. And in the two Taranaki rural seats Social Credit wrote it into a poor third.

Across in King Country, where it was neck and neck with Social Credit in 1978, it collapsed to less than half Social Credit's score this time.

These are all seats Labour cannot realistically expect ever to win. So doing poorly there can have no effect on parliamentary arithmetic.

But Labour is now in serious danger of ceasing to have a creditable presence in the small towns across a wide swathe of New Zealand. It is ceasing thereby to be a genuinely national party.

This is despite a concerted effort to reverse the trend with visits by MPs and a generally better quality of candidate selected for the seats.

But that is not all. Last year, Social Credit shouldered Labour aside in East Coast Bays. This year it did the same in Pakuranga. Labour must now fear being confined in Auckland to certain areas if the trend continues.

In fact, overall, Labour lost more in Auckland than in the country as a whole.

There were, however, some causes for hope for Labour.

One is that, if Social Credit is doing such damage to Labour on the rise, it is thus more likely to benefit Labour if it contracts.

A straw in the wind: the Social Credit vote in Hastings dropped by about 1400 and David Butcher bucked a provincial city trend from Labour to National and recorded a 4.5 per cent swing.

A second is that Labour did well in greater Wellington. The rise in its share of the vote in the region was 2.5 per cent and it won a 2.1 per cent swing against National.

This is to some extent artificially high, in that Labour DON'T knock the polls. They got the election roughly right — if you make the right allowances.

In an article on November 23, I pointed out that before each of the three elections before this one National was on an artificial poll high relative to Labour. If one smoothed out the fluctuations that high was about 6 or 7 per cent above the election result.

And so it turned out. Semi-averaging the National-Labour lead for the year or so up to October gave a margin to National of between 6 and 7 per cent — suggesting a very close result, with a slight advantage to National.

That is what happened. And for those who ask, "What about that immediate pre-election poll, showing Labour ahead by 7 per cent?" the answer is the same. Put it in the semi-averaging pot and it brings down the pre-election lead fractionally — reinforcing the October picture.

Continued Page 32



Mr R.A.B. (Bruce) Gaffikin, who has been appointed to Commercial Bureau's Moscow Office.

Born in Nelson and educated at Cashmere High School in Christchurch and Canterbury and Massey Universities, Mr Gaffikin (37) studied for a Degree in Business Studies majoring in international marketing.

In 1978 he assisted the Hon. J.A. Walding, MP, to set up Commercial Bureau (NZ) Ltd, specialising in exporting primary products to the USSR and importing Soviet machinery and equipment to New Zealand.

As Deputy Chief Representative in the Bureau's Moscow office, Mr Gaffikin's main responsibilities will be to liaise with the company's trading partners and initiate new areas of development, with a special emphasis on improving the trade balance between New Zealand and the USSR.

He took up his new position on November 23, joining a staff of 15 which includes Soviet engineers, economists, interpreters and commercial representatives.

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The drink is hot but the cup is not!



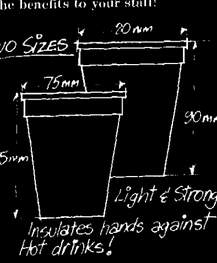
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ELECTION WATCH '81

The results

From Page 31

secured a 16.8 per cent rise in its share of the vote in Island Bay, where it had scored low in 1978 because of the incursion of dumped MP Gerald O'Brien.

Some sombre messages for Labour

But that does not mask the fact that in all greater Wellington seats except Eastern Hutt and Heretaunga Labour won a swing from National. In Wellington Central that swing was 5.1 per cent.

The third cause for hope for Labour is in Auckland. For the second election in succession Labour did better out of the swing in metropolitan Auckland than in New Zealand as a whole.

There was a 0.6 per cent swing to Labour in Auckland, compared with the nationwide movement of 0.4 per cent to National.

Though some of the gloss is taken off this for Labour by the Social Credit upsurge — Labour's share of the vote in Auckland dropped 1.8 per cent — it is a hopeful sign for Labour to build on for the next election.

Auckland is the engine-room of the New Zealand domestic economy. From the mid-1960s to the mid-1970s, there was a trend there from Labour to National. Now, though qualified by Social Credit's success, there is a definite trend from National to Labour.

That should be National's greatest cause for concern out of an election that it has the satisfaction of knowing it won when it should have lost, going by all the old indicators of elections.

Another cause for concern is its apparent vulnerability to raiding by Social Credit in safe Labour seats.

Its main cause for optimism lies in its performance in the provincial towns and cities.

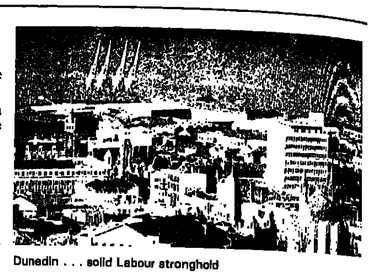
Despite problems in Nelson (where it lost badly to Mel Courtney, who came second), Hastings and Wanganui and Tauranga (where Social Credit intervened), it managed a near-average swing towards itself from Labour.

In all except those three seats there was a swing to National and in most it was above average, in some cases well above average.

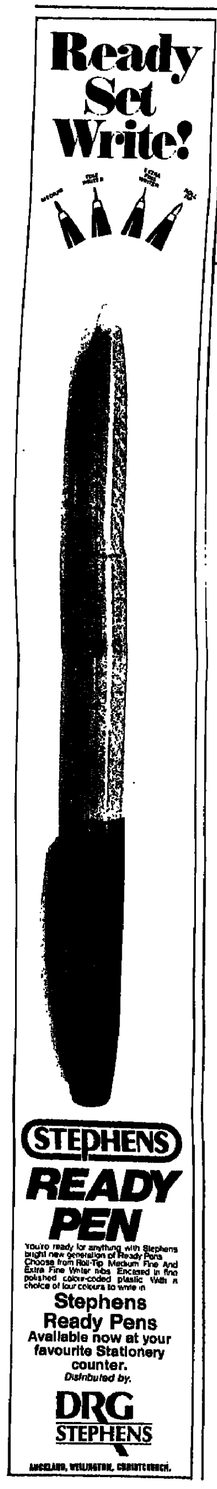
Their very nature as balanced microcosms of New Zealand urban society has made them crucial deciders of elections — and so they did on November 28.

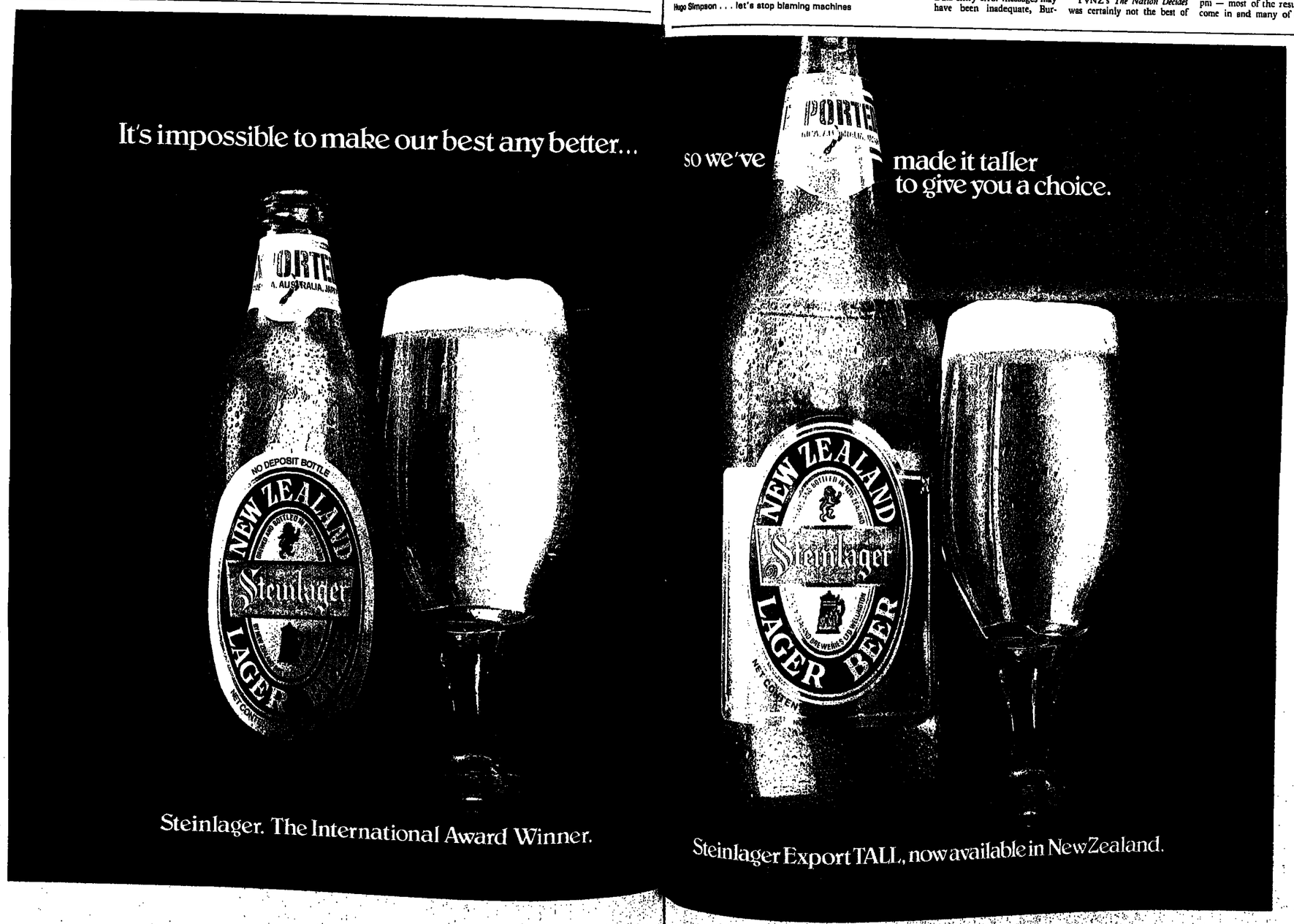
Labour should ponder carefully. It is all very well doing well in the stagnation cities of the South Island and in the liberal areas of Wellington and Auckland — but it is the hearts and minds of ordinary New Zealanders that Labour needs to win.

As long as National holds Labour out in the provinces, Labour will not form a strong Government.



Dunedin . . . solid Labour stronghold





The media

DATA PROCESSING

Not all the machine's fault, TV admits



Hugo Simpson . . . let's stop blaming machines

by Stephen Bell

"ONE of these days, we'll all get out of blaming the machine." This was Burroughs general manager Hugo Simpson's comment on the bad publicity surrounding the functioning of the election night computer system.

The Burroughs computers themselves and the programs written for TVNZ's electoral anlaysis were not actually malfunctioning, it was acknowledged.

But the computer element of the system certainly seems to have had holes in its design. Data entry error messages may have been inadequate, Burroughs admitted, and other controls on entered information were, in retrospect, less than perfect.

The most disturbing report is of a six-digit final vote figure having been successfully entered in mistake for the correct five-digit number.

This put 160,000 spurious votes into the system, it is alleged, and threw out percentage calculations on final voting figures all round the country.

Design aspects aside, hiccups occurred in the process of feeding information from reporters country-wide to the central data reception point.

TVNZ's *The Nation Decides* was certainly not the best of advertisements for computer technology. Scenes of journalist Colin James trying valiantly to make predictions on the basis of a complete lack of data were intercut with commercials of Simpson extolling the system and the program development aids which helped in its evolution.

The impression given at the beginning of the programme was certainly of a computer or program malfunction. Later in the evening the computer received an apology; the problems lay rather with the "inputting" of the data, said James.

But by that time — around 11 pm — most of the results had come in and many of the audience would have begun their partying or retired for the night, said Simpson. They would be left with the firm impression that the computer was to blame.

TVNZ had still not pinned down all the possible sources of the confusion, producer Bruce Wallace said last week, but the main problem seemed to be with over-enthusiastic reporters and inadequately advised data entry staff.

Since the modern trend is to regard the "computer system" — computer and administrative procedures surrounding it — as an inseparable whole, Burroughs and TVNZ could fairly be accused of having had a malfunctioning computer system on the night.

TVNZ's predictive system depended on a selection of 126 "indicator" booths in 26 electorates.

Booth results were telephoned in to the data entry staff at the Wellington studios, the booth being identified according to a country-wide booth numbering system.

But some reporters began telephoning in with results from booths other than the "indicators". Attempts to enter these results brought the response "booth number invalid" from the computer programs.

An operator might have expected the occasional wrong booth number, "but not three in a row," said Wallace.

Understandably, staff became confused and began looking for the source of the error. Meanwhile, repeated attempts to enter results from the wrong booths were slowing down the valid entries and leading to a shortage of information for the television analysts.

"Bugs" in the electronic or administrative part of a system are usually sorted out reasonably adequately with test runs. Obviously, full-scale rehearsals had been held, feeding dummy booth returns into the system; "but you can hardly take 100 reporters away from their regular work for a day to run a complete trial," said Wallace.

The one indictment which could be laid at the door of the computer programs was perhaps the poor design of input checking, a Burroughs spokesman admitted.

The booth numbers did not carry a "check digit" — the usual way of distinguishing valid from invalid numbers, and a genuinely invalid booth number was not distinguished from a valid booth number which fell outside the 126-booth sample.

Both were rejected as "invalid", and the operator had no way of deciding whether to ignore the entry or to try to re-enter it, on the assumption that it had been miskeyed.

The "six-figure vote" allegation is still being checked, said Wallace, but if it proves accurate, it is a striking indictment of the design.

No candidate in the country could possibly have polled 100,000 votes, and it would have been a simple matter to limit the length of the figure to five digits; such safeguards are built into computer systems every day.

National Business Review . . . the newspaper the politicians read.

'Granularity' explains IBM's gap-filling strategy

"GRANULARITY" is the latest buzz-word in the book of computer vendors who come out with new processors which fit *between* their current models in power terms, rather than extending the performance range.

A user who finds his business outgrowing his Model 1 computer may have no option but to shift to a Model 2, even if the Model 2 is far too powerful for current needs.

In time, the volume of work will grow to soak up the unused capacity — then the user finds himself up for another huge jump in unwanted power to the Model 3.

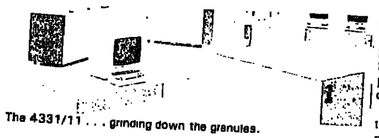
Clearly, if he could avail himself of Models 1A and 2A the growth path would match more closely the smooth growth in workload; the expansion of computer power would become less "granular". This presupposes a ready market for the greater number of used computers as they are outgrown.

"Granularity" is part of the explanation for IBM's release of new intermediate machines in its 4300 series.

IBM has virtually eliminated the problem of disposing of old equipment as the user moves up the range by making them "field-upgradeable".

A kit of parts is available to convert each 4331 into the next or next-but-one model. IBM will convert your machine for you, at a price less than that of a new model, and take back all the old bits. A 4331, however, can still not be field-upgraded to a 4341.

In the beginning were the 4331 and 4341. About a year later, IBM reduced the "granularity" of the range and extended its power with two new models. The existing machines became known as Group 1, a 4331 Group 2 was added between them and a 4341 Group 2 topped off the range.



The 4331/11 . . . grinding down the granules.

Now we have the next step in grinding down the granules.

In between the 4331 Group 1 and 2, IBM has placed the Group 11 (do they choose these numbers out of a hat?). The 4341 range gets *two* new models, the Group 10, which fits below the Group 1, and the Group 11, which goes between Groups 1 and 2.

In addition, IBM has added a "new" entry-level model, the 4321. So the range now goes: 4321, 4331/1, 4331/11, 4331/2, 4341/10, 4341/1, 4341/11, 4341/2. All crystal clear so far?

This "gap-filling" process has gone on at some time with most computer manufacturers, particularly when they feel themselves threatened by a rival machine that seems to hit the right spot in terms of user needs.

Most industry commentators nowadays take the "gap filling" message with a pinch of (granular) salt. With the continuing improvement in raw computing power for a given price, the advent of "gap-filling" machines is often a price/performance boost in disguise.

Typically, the Model 1A turns out to be much the same price as the old Model 1, effectively rendering that obsolete. After a while, the old machines are simply not made any more, and the "gap-fillers" become the new range. This manoeuvre is usually branded contemptuously as a "mid-life kicker" for a range whose sales are flagging.

How do the new 4300s stack up in this regard? The 4331/1 has already been effectively consigned to the scrap heap; IBM has said it won't be making any more after February. Its replacement, apparently with much the same power and internal construction, is the "new" 4321. But strangely, the 4321 actually carries a higher price than the 4331/1.

The entry-level machine is a "packaged" configuration giving the user little opportunity to vary components. This is usually an occasion for making a machine cheaper.

Comparing IBM purchase prices with claimed ratings in millions of instructions per second (mips) for each machine gives a disordered set of results reminiscent of the election.

The 4341 Group 10 and 11 seem substantially lower in "dollars per mip" terms, though not low enough to knock out the old range, while the 4321 and 4331/11 appear complete mavericks, with price per unit power actually larger than the older machines.

The additions to the range seem, therefore, to be a case of genuine "granularity" reduction rather than a disguised new range.

IBM spokesman Peter Vivian sees every machine — since the 4331/1 — continuing to have "its slot" in the marketplace.

But raw "mip" ratings seldom reflect actual capability, and only practical experience will tell whether some machines become "more favourable" and others fall into disuse, he admits.

With the announcement of the new machines, IBM stressed the recent release of a facility allowing 4300s to operate networked as part of a distributed network (*NBR*, November 9).

It clearly sees the 4300s, the smaller ones at least, chiefly as distributed network nodes.

If released here — no formal local announcement has yet been made — the new machines might be expected to appeal to first-time users, as well as to the fewer and more limited users of distributed networks here, Vivian expects.

Then, of course, there is the user concerned with "granularity" — the organisation which has a 4331/1 and does not feel ready for a 2.

A third developing emphasis for the 4300 seems to lie in the scientific and technical area.

IBM makes much of the machines' capability to perform the floating-point calculations needed for this kind of job, and is busily acquiring technical software from outside vendors, particularly in the computer-aided design area.

The strengthening of IBM's lower-end mainframes and the growing swing to technical as well as business applications can be seen as the company's response to a developing threat from the makers of the so-called super-minicomputers, or "mega-minis", which are creeping up into the power range of the mainframes with a particularly scientific and technical bias.

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December 1981

Word Processing Briefing

THE 222 FLAVOURS OF DISPLAYWRITER

The IBM Displaywriter System offers at least 222 ways of being assembled so that almost all Text Processing requirements can be met. You can select your own System from these components:

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4 MEMORIES — 160K, 192K, 224K, 256K

4 DISKETTE UNITS — Normal or High Density; Single or Dual Slot

3 PRINTERS — 15cps "golfball"; 40cps or 60 cps "daisywheel"

4 PAPER HANDLING METHODS — Manual; Pin Feed; Tractor Feed; Sheet Feed

WHY 222? If you multiply together the options listed above: (3x4x4x3x4=576) and then subtract combinations that are not possible or desirable, you are left with 222. Of course if you add Feature Programs such as Async or Bisync Communications, the combinations escalate.

The IBM Displaywriter System is a modular Text Processing System designed to meet a wide range of today's requirements and is upgradeable to meet tomorrow's needs.

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DG's office system uses existing hardware, software

WHILE taking Data General into a totally new area of the market — office automation — the company's Comprehensive Electronic Office system picks up on the capabilities of a lot of its existing hardware and software.

The full potential of some of DG's more recently released terminals, in fact, can be seen chiefly as components of the CEO set-up; in particular the progress towards graphics, colour and split screen displays lend themselves to the new style office information system.

On top of existing database report generation and file management packages, DG's office development has placed a layer of software to remove their "computer-like" features and to talk to executives in their own language.

The "decision support" software, known as Present, lets the executive view the database or indexed filing system in the straightforward way usually dignified by the term "relational". In other words, he can ask "what salesmen sold more than $1000 worth of this line of goods in the Auckland area last month? List their names and sales totals".

The question is phrased in essentially that format, and back comes the list, on to the terminal.

The user can do his own simplified "programming" for regular applications, by storing strings of the necessary Present commands for recall at any time.

Alongside "decision support", the system offers the information management capabilities one might expect in an office; word processing — based on DG's existing Az-text package, with enhancements — electronic document filing and retrieval, electronic mail, diary maintenance and meetings scheduling.

The manager, working with "menu" selections and single-key commands can put together or edit a document, send it on to another user on the system or file it in a storage system which operates in office language.

Electronic "filing cabinets" — privately locked or open to general access — are subdivided into "drawers"; the drawers contain folders and the folders, documents.

A document is retrievable by reference to file, drawer and folder, or directly by individual keywords specified in a "header" on the document.

There is no special storage system as in ICL, Burroughs and Rank Xerox office automation. Storage is on conventional discs, working through conventional DG Eclipse processors.

In fact, Data General seems to have striven in all aspects of CEO to preserve the user's existing hardware investment and software strategies.

The high-speed communications link now routinely expected of all office systems has appeared; but unusually, it is not based on novel communications disciplines like Xerox's Ethernet, but on DG's established Xodiac software, which many users have already implemented. Xodiac has the further merit of aligning with the X.25 packet-switching standard, to be adopted by the NZ Post Office.

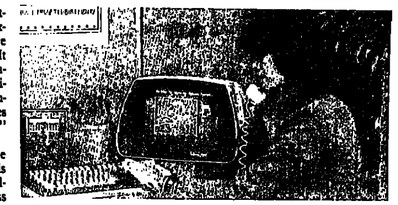
The link works along co-axial cable at two million bits a second. One cable provides communication among 32 processors, but all other hardware — terminals, storage etc — has to communicate by way of a processor.

DG is looking at systems of the Ethernet type, but "standards are still being refined; we don't want to jump in at this stage," said acting country manager Bob Young.

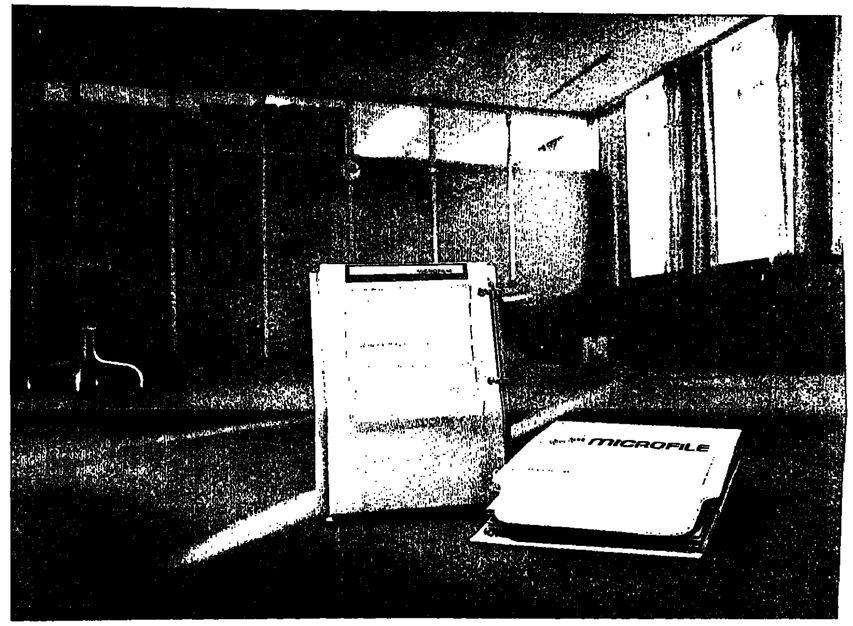
The office automation market would "have to be addressed very carefully," admitted sales engineeer Don Staples. "We're dealing with a different set of users." DG New Zealand, despite its relatively small staff size, sees itself having to cultivate, "in time", a dedicated sales force for CEO.

Office automation will also inevitably mean some reorganisation for the customer. No electronic system can be directly imposed on a business's existing office administrative structures, Young agreed. "It knocks out redundant information; it knocks out the 'divisionalisation' of the system" into separate and distinct offices with a "DP department" separated from all the rest.

As the electronic office creeps into New Zealand, this is bound to cause some administrative friction, unless carefully planned and handled.

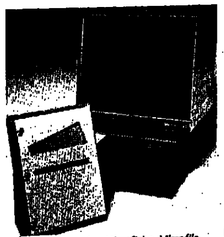


DG system . . . information graphically.



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